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FURNITURE WORLD



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- SORRY MA'AM, THESE ARE FACTORY STANDARD DEFECTS
- RESEARCH: THE POST RECESSION FURNITURE BUSINESS
- RETAIL COMPENSATION WINNERS & LOSERS
- EVIDENCE BASED ADVERTISING PRINCIPLES
- BUILDING TRUST WITH CUSTOMERS ON TWITTER
- ARE YOUR SALES ASSOCIATES SUPER SNOOPERS?


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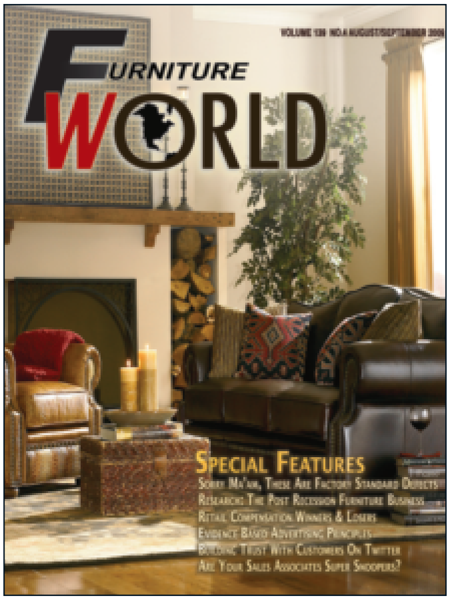


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Can Your Customers Trust You On

TWITTER?

It is clear that your customers are using social media, but how can you use it to create sales? The answer is to create trust.

Being Social by Leslie Carothers

Many people in the furniture industry are asking themselves, "Where is the traffic I used to get?" "Where can I find the consumers who are ready to buy?"

Here is what I believe has changed- besides the economy:

Back in the 1950s and 1960s business people of all types, including most furniture store owners and managers did a lot of business networking in their communities. They joined local clubs (Rotary, Lyons, etc.) and met local people. They got to know their neighbors and customers personally-face to face. And, gradually, their neighbors and customers got to know and trust them.

Over the last 10 years or so, the ability to do face to face business networking has shifted. The amount of time we have to accomplish an ever mounting work/life flow has changed. Women and men are juggling hectic work schedules with young kids and, many times, older parents and young kids are overwhelmed with school, religious, charitable, family and friend activities.

In addition, we have recently been through a period where our most trusted institutions and corporations let us down and hundreds of thousands of people have lost their life savings, their jobs, their sense of security. We don't TRUST anymore.

That's what's changed- It's that simple- and that hard.

It's that hard because the way that most retailers generate retail traffic is through traditional advertising that gives customers a deal of some sort. And, that still works for those companies with enough volume to thrive on lower margins. But, for the rest of you, continuously low margins will drive you out of business and… that is just what is, unfortunately, happening.

What is working in today's economy is online business-to-consumer networking- through two way interactive conversations with consumers who are actively choosing to listen and communicate with local stores.

You may ask, "given the constraints on my prospects' time, why should I believe they would choose to interact with me online?" That would be a fair question.

The answer: some won't. You're right. but, some will and many are. Consumers for furniture, as we all know, are generally women. Many of these women are Moms. They have complete responsibility, in many cases, for furnishing their homes.

Moms are starved for time, but paradoxically they are spending more of this limited time online. They are also skeptical of traditional advertising appeals they find there.

Moms are estimated to be responsible for $2.1 trillion of U.S. consumer spending, controlling about 80% of household expenditures. That's according to BSM Media. 87% percent are using the web regularly to research and buy, per ComScore. Mom bloggers represent the fastest growing group of bloggers in the



Who, in our industry, is using social media? For a list of the top 100 using Twitter visit Twitter Grader at: http://twitter.grader.com/search?Term=furniture.

Shown are rankings of some of the the the top twitter users in the industry with their bios and number of followers.



"You can't build trust with a one-way conversation that consists of sales pitches!"

Shown throughout this article are screen shots of retailers' Twitter pages. Keep in mind that some of these retailers have made only a handful of tweets and others have made thousands. Some feature a corporate person and others a corporate identity.

world-and they listen to each other. Nielsen Online now monitors 10,000-13,000 Mom blogs at any one time.

Since many of today's Moms are online and blogging, you need to make an effort, using some sort of social media, to become part of their network of trust.

HOW NOT TO USE SOCIAL MEDIA

Let's get back to basics for a minute for those of you who are new to the social media world. What is the definition of social media? It's the use of any online media tool that can be used to be social with consumers. What does the word "social" mean in this context? The same thing it means in the offline world. It's a two way conversation that forms a relationship.

Online social media is sometimes referred to as "New Media" but if you use it the same way you use traditional media

Who would you trust? Who would you follow?







tools, you won't get very far, because you will be missing out on the "relationship" part. Unfortunately, a number of furniture retailers are doing just that, and they are missing the whole point! More about that later in this article.

WHO IS USING SOCIAL MEDIA?

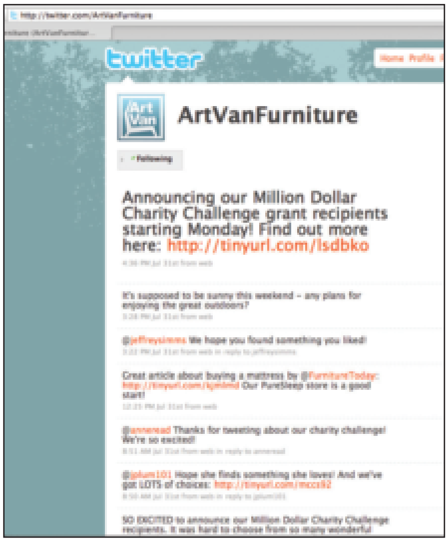
There are literally thousands of people in the following categories using Twitter, YouTube, Viddler, Facebook. LinkedIn, Hulu, etc., including: brick and mortar furniture retailers, interior designers, home stagers, real estate agents, renovation specialists, kitchen and bath designers, home builders, furniture designers, furniture trend specialists, e-commerce only furniture retailers, manufacturers and suppliers, editorial people from all over the world involved in furniture, interior design and home building, green furniture lovers, eco trend people.

HOW IS THE FURNITURE INDUSTRY USING TWITTER?

A number of screen shots from Twitter accompany this article. Look at the "tweets" closely and take some time to visit these and other retailers' Twitter pages (for example, www.twitter.com/SleepNumberSara) to see how they are using Twitter to drive sales. When using Twitter or other online social networking tools, consider how you might react to a person you met in a social situation who, every time you saw him, said something like, "by the way Jon, we've got a half price sale on recliners this week. Come check it out." Would you want to run into him again? Of course not! You might talk business, you might talk about personal things, but you can't build trust with a one-way conversation that consists of sales pitches! It is inappropriate... especially before you've established a personal relationship. Common sense social networking tips follow:

- *Let your real personality shine through so they begin to trust you. If they trust you, do you think they will go to a competitor down the street first?*
- *Don't use social media solely to talk about your latest specials, sales or deals. You will largely be ignored.*
- *Try to help people by sharing your knowledge and information. It will be appreciated.*

Who would you trust? Who would you follow?







Costs To Consider When Starting A Serious Social Media Program

So, how can you determine if the return on investment you might get on social media will be worth it for your company?

First look at your fully loaded annual investment in "Old Media". This includes the cash you are investing in local television, radio, newspaper and direct mail. Also take into account the value of your time and how much you are paying people to prepare, place and track your ads.

Now ask yourself if the foot traffic you are generating from this investment is of the same quantity as in year's past and are these consumers QUALIFIED, INFORMED and SERIOUS or are they just there because of a sales event and not too likely to come back until the next one? What are your margins on these sales?

If your costs are high and your return has diminished, you might want to take a small portion of your budget (see costs below) and invest it in a social media effort.

COSTS OF SOCIAL MEDIA

The MEDIA is FREE. BUT, there is a cost associated with learning to use the media, setting up the media and measuring the results of the media. So what are these costs?

IMMEDIATE COSTS

Set strategy. Do not implement social media tools without a strategy in place. Social media conversations and comments stay online forever. It is all indexed on Google

Sidebar continued on page14.

- *Include links to interesting content that you find that fits with your store's image such as news items, decorating advice, educational pieces, videos or content posted to your website.*
- *Twitter can be the virtual door to content on your site and in your store.*
- *Find the right person to represent your store. Don't hire an intern or give this responsibility to a low level employee. If you wouldn't send this person to interact with customers at a non-virtual event, then don't do it online .Online conversations index on Google so they stay "searchable" by consumers forever.*
- *Make an effort to follow people on Twitter who matter to your business, and talk with them a lot! Just like in real life, social networking is a two-way conversation. Make sure you prioritize it every day. The worst thing you can do is to make a half-hearted effort at conversational marketing online. What message does this send to your potential customers?*

If you take social media seriously and commit to it, you will see relationships develop that benefit your business in many other ways aside from sales and customer service. Partnerships will form, you will find information you need to get a new customer or try a new service. And, out of the blue, people you don't know will connect you with consumers who need to buy furniture in your area.

I hope you will join in and connect with your local customers. They're there, waiting for you to engage and listen to them.

ADDENDUM: UPDATED SOCIAL NETWORKING STATISTICS

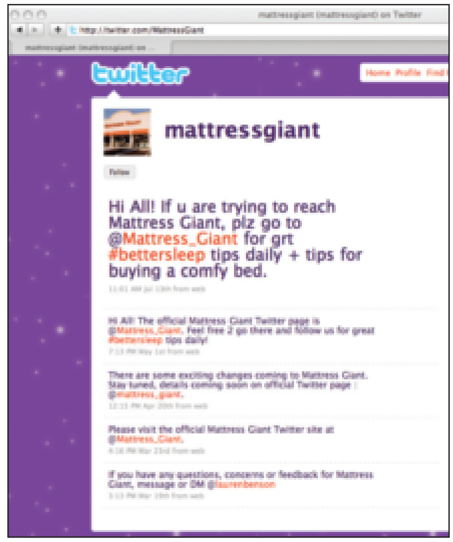
What are the stats and what are the key facts about social networking? Here are the numbers according to Nielsen, as of June 2009:


CANYON CREEK...

Who would you trust? Who would you follow?







- *The average time spent on site for Facebook in June was... are you ready? 4 hours and 33 minutes per month. This is a 240% year over year increase. That's an average with some people hardly using Facebook, and others using it much, much more.*
- *The average time spent on site for Twitter for June was 31 minutes and 17 seconds. That's a 522% year over year increase.*
- *There were over 85 million unique visitors to Facebook in June, a 198% year over year increase.*
- *There were over 21 million unique visitors to Twitter in June-a 1928% increase year over year increase!*

What do these statistics mean for you? Your potential customers are spending much of their free time online vs. coming into your stores first!.

Don't really believe that your older customers are doing this? More stats:

Nielsen Online, Global Index, December 2007-December 2008 reported that, "The greatest growth on Facebook has come from those in the 35-49 year old age group (24.1 million). Furthermore, Facebook has added almost twice as many 50-64 year old visitors (13.6) million than under 18 year old visitors (7.3 million)."

Don't really believe your customers are viewing video content? More stats:

Nielsen Wire: July 17th, 2009 notes that, "Facebook was the fastest growing social media site by both total video streams and unique viewers of video. Total streams increased 434% year over year from 10.1 million to 54 million streams. Unique viewers of video increased 397 percent, from 2.4 million in June of 2008 to 12 million in June of 2009"



Sidebar continued from page 10.

for every customer, potential customer and competitor to see.

Learning to use the tools. There is a lot of good information available for free online and more furniture specific information can be found through outsourcing.

Set up: The initial set up and implementation costs associated with blogs, landing pages, etc. are usually less than $2,500.

Execution: Execution costs-can be done in house by your own team or can be outsourced.

Caveat: Do NOT execute a social media strategy without a website that is updated. Why? Once you invite customers to connect with you online through social media conversational marketing, they WILL visit your website. To them, it is your virtual store. You want their virtual store experience to be as good as it can be. You don't have to sell online, you just have to have a "virtual front door" that represents your brand message in the right way or else they will be turned off and you will not get them back.

ONGOING COSTS

Fine tuning: There are modest costs associated with the fine tuning of your strategy and continuing education to implement new tools that become available.

Measurement: You will need measurement tools to gauge the effectiveness of your social media efforts. This might include Techrigy's SM2, Radian 6 and Scout Box and the integration (eventually) of your CRM efforts with the social media tools you are using to generate leads. For instance, Salesforce.com and Toucan's Twitter integration allows you to track and follow leads you are getting in Twitter seamlessly. These last two items, monitoring and CRM, will cost you anywhere between $2,000 and $10,000 per year depending on the level of sophistication and granularity in information you desire.

It will take you one week or less of concentrated time and training to begin using social media tools. Then you will need to invest anywhere between 1 week and 4 months to start seeing actual sales results and customer service savings from your efforts.



"Don't use social media solely to talk about your latest specials, sales or deals. You will largely be ignored."

Leslie Carothers, is a 25-year veteran of the home furnishings industry and the principal of The Kaleidoscope Partnership – an international consultancy helping the home furnishings and related industries leverage the use of online social media tools to drive revenue. Visit her website at http://tkpartnership.com. You can follow her on Twitter at @tkpleslie and @LuvEcoFurniture. Her Twitter account is dedicated to listening to consumers needs and concerns re: buying eco friendly furniture. She can also be reached directly at 713.705.2482.

See all of her articles on the FURNITURE WORLD Magazine website www.furninfo.com in the marketing management article archives. Questions on any aspect of furniture internet marketing or social media can be directed to Leslie at leslie@furninfo.com.

Get Ready For Business

AFTER THE RECESSION

Part 2: How to capitalize on the three trends that were transforming the luxury home furnishings market - even before the recession hit.

Luxury Marketing by Pam Danziger

In the June/July issue of FURNITURE WORLD Magazine we brought you up to date on the latest research available on the luxury market for home furnishings *(If you missed it, visit the marketing management article archives on the www.furninfo.com website)*. Now you are ready to look at what Unity Marketing's Home Furnishings and Décor Report 2008 does best: Translate the data into information that furniture executives can use to find a pathway to success in the future.

Someone once said to me that a good market research report must give you three things: The What, the So-What, and the the Now-What. In the first part of this series we shared the latest research (the what) and also why the findings matter to furniture retailers and product executives (the so what). Now it is time to look at actions you can take today so that you will thrive in the emerging economy that will arise after the recession (the now what).

But know this first: once the recession ends, the luxury market is never going back to the way it was before.

NEVER THE SAME AGAIN

A lot of people are enjoying the illusion that once the recession ends, everything will go back to 'business as usual.' It would be nice to return to those heady days of the luxury boom, but that won't happen. Unity Marketing has identified three trends that were transforming the luxury consumer market even before the recession hit. Today's recession is actually the tipping point that is intensifying the long term effects of these trends. The three trends are:

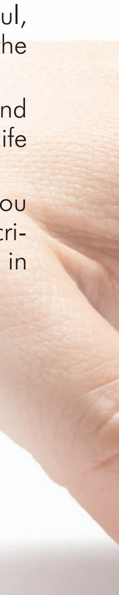
- *A new frugality in the mindset and behavior of luxury consumers.*
- *The emergence of a new type of consumer who simply doesn't see luxury as a part of their lifestyle.*
- *The evolution of a caring, sharing, saving, culture.*

These trends will mean big changes for luxury furniture marketers and retailers not just today, but tomorrow. Once the current economic crisis is resolved, a more conservative, careful affluent shopper with a temperate approach to luxury goods and luxury brands will remain.

After all, the affluent didn't get affluent by spending all their money. Their affluence came from careful management of their resources. This current recession has hit the affluent especially hard since they have been largely using their perceived wealth rather than their real incomes to support their luxury lifestyles. Thus as the value of their homes tanked and their stock portfolios fell through the floor, they are being forced to make sacrifices which are bringing them back to their senses. As a result, marketers and retailers who sell to the affluent consumer will face a new, more careful, selective and thoughtful shopper in the future.

What can furniture marketers and retailers do today to get ready for life after the recession?

Since there is virtually nothing that you can do about the current economic crisis, which is primarily due to problems in



"Just offering a one-time sale doesn't maximize the opportunity to sell two-times to the same affluent shopper."

“In the furniture market, income is not as good a predictor of high levels of spending as age..”

the nation's housing and banking sectors, you must wait it out like everybody else through this difficult period. But while you are waiting for a turn around on a national scale, there are steps that can be taken to help you through this period. So, with our eye to the future, here are some ways to get ready today to prosper in the luxury market after the recession ends.

Enhance the shopping experience – Give affluent shoppers what they want most

In Unity's latest home study, three factors were found to be most important to the affluent home consumers when it comes to the places where they like to shop. They highly value good prices, with an emphasis on stores that offer good value including those that have deep discounts and frequent sales. Therefore, furniture retailers need to communicate with their regular customers about special sales or discount offers, not just by advertising, but through personal invitations to shop delivered by mail, telephone or even better, by email. This will go far in attracting the best customers into stores.

Affluent furniture shoppers are also strongly influenced by store merchandise. A retailer that offers a wide selection of high quality and attractive styles has a winning ticket for the luxury shopper. It is important to note that the home shopper favors attractive styles more than the latest trend-setting styles, so home merchants should avoid pushing their local customers too far too fast with new design trends, but stick to designs and styles that are in keeping with the preferences of the local community. Further, while stocking popular brands is important to these shoppers, the brands are not as important as product quality, selection and good price. None of this should be a surprise to FURNITURE WORLD readers.

Home shoppers are also strongly influenced by service features of the store. Retailers should work to enhance the level of service in their store, especially by having knowledgeable sales people who can help the customer realize their home decorating dreams. The store's return policy is also of critical importance to the home shopper. They want to be confident that an item that they buy to try out in their home can be returned for cash back or credit if it simply doesn't fit.

Home shoppers also look to the retail store for decorating inspiration so home retailers should make an effort to offer interesting merchandise displays that combine products, colors and styles in interesting and creative ways.

Affluent shoppers tend to be more mature, so work that demographic to your advantage

In the furniture market, income is not as good a predictor of high levels of spending as age. For example, in 2008 the ultra-affluent furniture buyers (the highest income segment at $250,000 and above) spent only about 1.5 times more than the lowest income segment (called the comfortable affluents at $100,000-$149,999). By contrast in terms of total luxury spending, the ultra-affluents spent more than three-times as much as the comfortable affluents.



"Luxury brands that focus marketing on quality and value, rather than on image or status, will attract careful shoppers."

What is more powerfully linked than income to one's likelihood to purchase a premium or luxury brand of furniture is age: those over 40 years old have a greater propensity to buy more luxurious items including the high-end luxury furniture brands. That means furniture retailers and marketers need to communicate differently about their products and brands depending upon the age of the shopper. For the more mature, messages that focus on quality, specifically the attributes that make a brand higher quality, such as workmanship, materials, engineering, and so forth, are called for. More mature consumers are more inclined to pay more for luxury quality, while younger consumers are less likely to find the luxury value propositions as compelling in their purchase equation.

Respond to Affluent Consumers' Changing Behavior

In the current recession, affluent consumers are making changes in their shopping behavior in order to save cash. One of the most popular money saving strategies they employ is to simply stay out of stores. That way they resist temptation and stay out of harm's way. Therefore savvy retailers must give them new in-store experiences they simply can't ignore in order to get them to shop. Take, for example, the cash-back rebate sale recently offered by Neiman Marcus and its sister store Bergdorf Goodman. Rather than giving an across the store 10 or 20 percent sale, they offered shoppers a rebate tied to how much they spent. The brilliance in the NM/BG offering was that by offering shoppers very generous cash-back rebates (up to 20 percent for shoppers who spent $2,000 or more), the retailers got a second chance to entice and delight the customers when they came back to the store to redeem their rebate card. Just offering a one-time sale doesn't maximize the opportunity to sell two-times to the same affluent shopper, like the cash-back card does.

Further, retailers need to look strategically at their product assortments and price ranges, since affluents are widely choosing to trade down from the ultra-luxury brands to less expensive, but still good quality premium brands in order to save money. So a retailer that offers more accessibly priced alternatives to the very high-end brands gives the more cautious shopper a chance to pick and choose good quality for less. A useful example of extending price ranges can be seen in the fashion world where Vera Wang offers her ultra-premium priced ready-to-wear line along with the more accessible, yet still very luxurious Vera Wang Lavender Label. Then at the mass market level she has Simply Vera Vera Wang, sold at Kohls. By extending the Vera Wang design sensibility across a wide range of price points, the designer gives shoppers a number of different ways and different price points through which to participate with her brand. This model could be easily adapted by home furnishings marketers as well.

Translate product features into experiences for the customer

Home retailers need to focus less on


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selling consumers more product and more on selling experiences. That means they need to emphasize not just product features, but show how a particular piece of furniture can measurably and meaningfully enhance the consumers' experience, enjoyment, pleasure, and satisfaction in their home. Superb quality, expert workmanship and incomparable product materials – all product features – translate into longer life, greater comfort and pleasure – experiential values – to the home consumer.

When we survey affluent shoppers, we find consistently that they are more likely to define luxury as a way they experience their lives, rather than the things that they have and they own. So retailers selling to the affluent need to put forward an experiential definition of luxury, that is luxury as more about what you do and experience, than the products or brands you buy. Positioning a product to a potential customer simply as being better than the rest based upon material product features is no longer enough. Furniture marketers must translate their products features and benefits into experiences that align with the home consumers' priorities.

Value is the secret to selling to the luxury shopper

Finally, furniture marketers and retailers need to give their luxury-leaning customers what they want; and what they really want is value. They didn't become affluent by spending foolishly or haphazardly. When affluents shop, they are looking to maximize the value they get from the money they spend. So rather than think about how to cut costs or discount your products, retailers can benefit more from finding unique and creative ways to give shoppers more value, like offering a free coffee table with the purchase of a premium sofa or a gift certificate for $250 off one's next purchase. Hardly spendthrift, the affluents are careful money managers in a constant search for value.

Furniture retailers also need to boost the value messaging in their marketing efforts to help justify the expense of paying a premium for their goods. For today's resistant yet affluent shopper, luxury brands that focus their marketing messages on quality and value, rather than on image or status, will attract careful shoppers. In today's marketplace the old advertising maxim 'Sell the sizzle, not the steak,' no longer applies. Rather in the new value-driven luxury market, high-end marketers and retailers need to sell the 'steak' once again, not just the sizzle.

Pamela N. Danziger is an internationally-recognized expert specializing in consumer insights, especially for marketers and retailers that sell luxury goods and experiences to the masses or the 'classes.' She is president of Unity Marketing, a marketing consulting firm she founded in 1992.

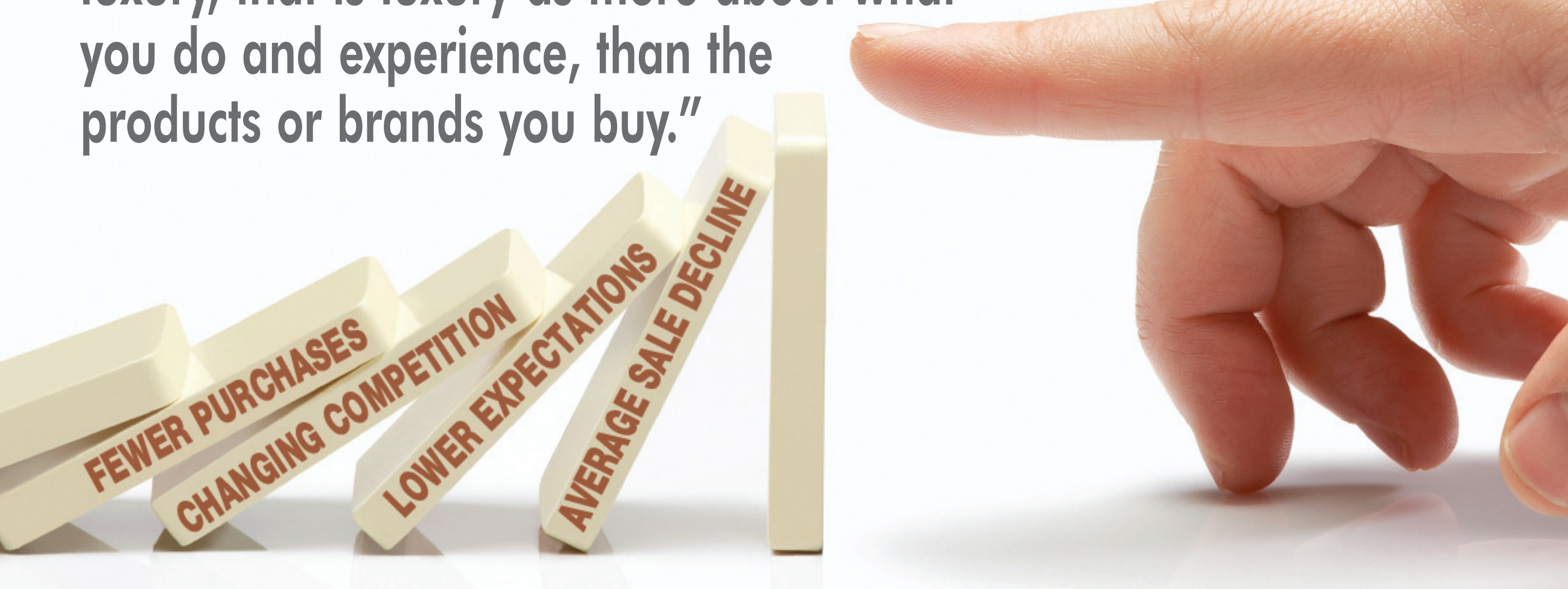
Advising such clients as PPR-Gucci, Diageo, Google, Stearns & Foster, Tempur-Pedic, Waterford/Wedgwood, Lenox, Prudential Fine Homes, Moen, Orient-Express Hotels, Marie Claire magazine, Meredith, The World Gold Council and The Conference Board, Danziger taps consumer psychology to help clients navigate and master the changing luxury consumer marketplace.

In recognition of her work in the luxury consumer market, Pam received the Global Luxury Award presented by Harper's Bazaar for top luxury industry achievers in 2007.

Her latest book is "Shopping: Why We Love It and How Retailers Can Create the Ultimate Customer Experience," published by Kaplan Publishing in October 2006. Her other books include "Let Them Eat Cake: Marketing Luxury to the Masses—as well as the Classes," (Dearborn Trade Publishing, $27, hardcover) and "Why People Buy Things They Don't Need: Understanding and Predicting Consumer Behavior" (Chicago: Dearborn \Trade Publishing, 2004). She is currently working on a new book about the changing luxury market.

Questions about this article can be directed to Pam care of editor@furninfo.com. You can also visit www.unitymarketingonline.com for more information or call Pam Danziger at 717-336-1600.

"Retailers need to put forward an experiential definition of luxury, that is luxury as more about what you do and experience, than the products or brands you buy."



Retail Furniture Compensation

WINNERS & LOSERS

Compensation for family members who enter the business should be based on several important guiding principles.

The Family Business Series by David Lively

For years, Gordy looked forward to having his son and daughter join him in his retail furniture business. Gordy and his wife, Alica, had rebuilt the business after Gordy's father lost the family fortune due to poor planning and marketplace miscalculations. Even though the business went under when Gordy was in college, he could see the potential. He had a degree in marketing and knew the retail furniture business from the inside out. With Alica's accounting background, they systematically restored the business to health. About the time that Gordy's and Alica's two children were off to college, the business was in expansion mode and Gordy was counting on his son and daughter to help take the company into the twenty-first century.

Gordy and Alica laid the groundwork well for inviting their children into the family business. The kids had seen how hard their parents worked. Gordy and Alica involved the children in the business from the start. As toddlers, they played in the office. As teens, they helped out with odd jobs and cleaning. They knew all of the employees, and it felt like one big extended family to them. In high school, the children tried their hands working in the office, on the delivery trucks and on the sales floor.

If this story sounds familiar, perhaps the all-too-common ending will also ring a bell: Loving parents or grandparents mistakenly forever see the young generation as children. They begin to apply the rules of family to the game of business. The slope becomes slippery.

Family business owners often struggle with fair compensation for their children who work for them. Either they pay the children too much, or they pay them below market rates. Either extreme is incorrect and can provoke conflict while undermining the child's self worth.

Overcompensating children in the business can lead to an exaggerated sense of self worth and encourage family business children to lose touch with the economic value of a dollar and reality in general.

Especially if their job responsibilities are not proportionate with their high compensation, the children can suffer from a devastating loss of confidence and a feeling that Mommy and Daddy provide their life support.

The result is weaklings who aren't capable of driving the business forward.

Under compensation is just as damaging. Many family business owners purposely under-compensate their children to teach them the value of hard work, crying, "This is how I did it." Many current leaders think to themselves, "One day the business will belong to the kids and they must be thrifty to make ends meet." Or, "The kid's chance at affluence and the accumulation of wealth will come after they learn the lesson of penny pinching."



This common thinking is unfair, unproductive, and unrealistic. These same children are expected to work 60 trying hours a week for low wages while their peers who work for non-family employers enjoy the benefits a growing income provides.

Compensation should be based on productivity, not status as a member of the family. In some cases, children react to below market compensation as a statement that Mom and Dad don't love them. This may seem ridiculous on the surface, but it is a fact that in the complex environment of a family company, monetary compensation can be seen as a benchmark of

"Many family business owners purposely under-compensate their children to teach them the value of hard work."

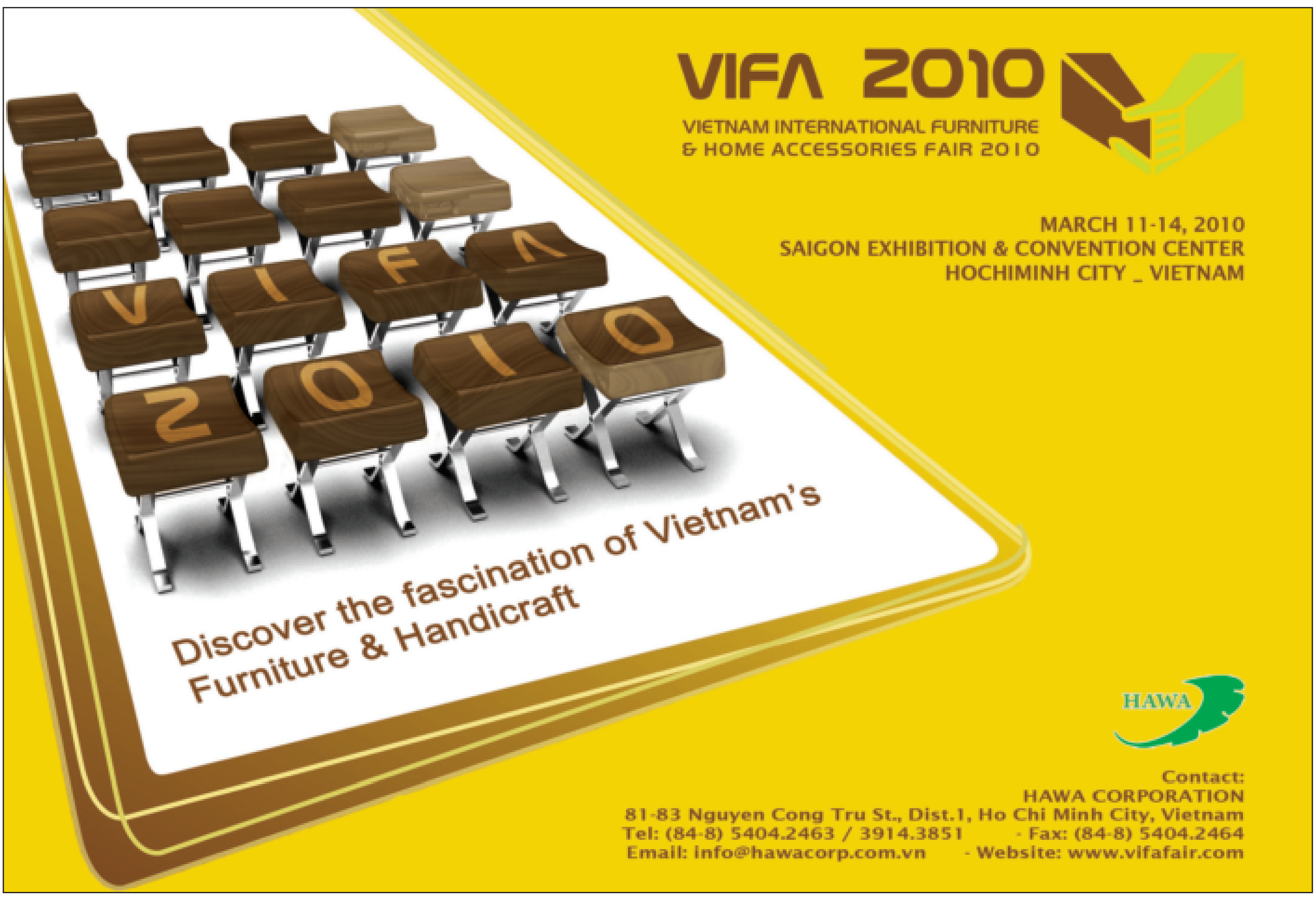
"Nothing could be more damaging to the children's relationships with each other than this 'equal is fair' arrangement."

parental acceptance and affection.

Some family businesses with multiple children-employees pay each of the children the exact same thing in spite of the fact their responsibilities within the company are different. This is an effort on the part of the parents to be fair. Nothing could be more damaging to the children's relationships with each other than this "equal is fair" arrangement. The children know who works the hardest and most productively.

To assure a high probability of family harmony in the business, compensation plans should be based on responsibility, productivity, and what you would expect to pay non-family members. Entry rules into the family business for young children can be a big help in defining compensation arrangements:

- *The duties and responsibilities for each position should be defined and documented.*
- *Family companies should not create make-work jobs for family members, but rather should hire for positions based on legitimate needs.*
- *There should be a formal training program, and family employees*





> **"Some family businesses with multiple children-employees pay each of the children the same even though their responsibilities are different."**

should be supervised by non-family members.

- *Family members should have access to fringe benefits and bonuses like other employees, but should not be rewarded undeservedly just because they have the right last name.*
- *Family employees should be evaluated along with all other employees with respect to progress in their positions.*

So, if you follow my expert advice you will design your compensation plan according to these five steps:

1. Establish detailed job descriptions for each employee. Include responsibilities, level of authority, technical skills, level of experience and education required for each job.

2. Recognize your compensation philosophy. Do you want to pay average, or higher? Are you trying to attract talent from other companies? Will you offset the typical male/female wage differential? Are you a training ground for young, inexperienced people?

3. Get information on the salaries for similar positions in the industry. Compare companies that are similar to yours in number of employees, revenue, product, geographic location, etc. What salaries and other benefits do these organizations pay their employees? Performance groups and trade associations are the places to look for this information.

4. Develop a succession plan. How will a successor to the current leadership be identified among family member/employees? What training will pre-

Family Business Decisions

pare them for leadership? How will this choice affect the morale of the family? What about the morale of the business? How will this successor be compensated?

5. Design an affordable plan. You want to do the best you can with the dollars you have. Decide now what you can afford to compensate each family member/employee relative to his or her contribution.

Don't cause dissatisfaction and disharmony in your family company by failing to plan for these important future events. If you believe these issues should wait until the day they "must" be made, you are wrong. The path of least resistance will not work in family business planning.

We've all heard the old adage, "The road to Hell is paved with good intentions." Remember, it is your direction – not your intention – that determines your destination, as Andy Stanley writes in The Principle of The Path.

Understanding this principle will make or break your family company.

David Lively, partner at The Lively Merchant, has over 20 years hands-on experience in the home furnishings industry, from the warehouse to the sales floor to the boardroom. He has walked the walk and talked the talk from the family-owned, single-site store to the multi-state, multi-million dollar operation; from sales training to computer programming; from warehouse construction and operations to financial management; from new store construction to complete renovation. Twice named to the "Beyond the Top 100" list of independent retailers and 1997 "Ohio Retailer of the Year," David's wisdom was won on the front lines of a furniture store and his battle scars have given him compassion for counseling today's retail warrior. David's experience has led him to address the issues of the transfer of authority, responsibility and wealth from one furniture store generation to the next. Four out of five family-owned furniture stores are still led by their founder, and 40% of them will change hands in the next five years. The surviving legacy of your family business depends on your plan for transition, and David has developed a proprietary and unparalleled system for helping to identify goals, strengths and opportunities during this crucial time. You can reach David by calling 740.415.3192 or email him at davidL@furninfo.com.



"Compensation plans should be based on responsibility, productivity, and what you would expect to pay non-family members."


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Sorry Ma'am, But These Are Factory

STANDARD ~~DEFECTS~~

Many retailers are caught in the trap of less product differentiation, sagging profits, poor back end operations and problems meeting customer expectations for quality.

Retail Repair by Peter Schlosser

Do you remember when we were children, and our teachers would give us an exercise asking us to find the hidden difference in a group of six drawings? All of the drawings were virtually identical, although one had a slight variation that made it different from the others. We would scrutinize each one, scratching our heads, trying to find out what it was that made one different from the rest. It wasn't easy! But in the end, one would emerge as the variant.

Now, apply that same allegory to the furniture industry and maybe you can draw a parallel. I've noticed—and I'm sure the average furniture buyer has as well—that everything seems to look the same these days. It used to be that each manufacturer had a distinct look that would differentiate them from the pack: Henredon was distinctly Henredon, Maitland-Smith had a very identifiable look, and so on. Some manufacturers still possess that ability (notably the two I mentioned).

Those of us on the perimeter postulate about why this could be among vendors. Might it be because they're all just buying from massive overseas factories and putting on their own label, tweaking the design just slightly with hardware or decoration to make it unique? Perhaps it's because there is a huge surplus of dark semi-opaque finish in the global economy, and they need to use it up to prevent an environmental catastrophe? Or maybe there is no environmental disaster going on with respect to trees and forests, because there doesn't appear to be a shortage of rubberwood and low-grade "mahogany" and oak.

And then there is the Hollywood glam scene which has been hot for a while now that is virtually carbon-copied into every store selling furniture, from Boyles to Big Lots. It seems that the time it takes to tool up a factory to knock off a hot line has decreased exponentially. This also has the unfortunate result of rapid market saturation, and a marked decrease in staying power for truly unique designs. Even dyed-in-the-wool compositions find dilution through cheaper and less detailed renderings, leaving manufacturers who command high prices for their fine offerings left holding inventory when a cheaper version hits the market.

"Techs will probably tell you they use wax fill sticks on tops, panels, faces corners or edges for a variety of reasons. All are excuses."



OK, so what, right? If that's all that's out there, then the customers will have no other choice than to buy what is on the sales floor, because to get something better will cost a lot more. My solemn guess is that lower-priced furniture is gaining in popularity right now, which means higher volume for those goods, obviously. Higher volume plus excess manufacturing capacity means lower wholesale prices. Lower wholesale prices means more stores will be able to carry the lines. And now for the supreme segueway: More stores means less differentiation, and more difficulty standing out.

I'm a back-end consultant so there should be no surprise in what direction I'm taking this article. I am here to argue that increased sales are not the catharsis for sagging profits. In fact, I think that if the back-end organization is corrupted, then selling more can be the antithesis of a turnaround. It can be the final nail in the coffin. The logic is clear: Sell a little of something poorly, word gets around. Sell a lot of something poorly, and you're out of business. Remember what I suggested about choices in a particular

market?

So humor me and listen to a few suggestions about how retailers can remedy sagging sales with something that has nothing to do with sales—and can cost very little as well.

- *As the owner, you are the subject matter expert. It's not up to the organization to figure out what the standards are, it's up to you. If you can't do it yourself, or through trusted members of your organization, find someone who can—and command, compel, threaten, intimidate your managers to execute these standards or find work elsewhere. Consulting costs are money thrown into the wind if the organization isn't dynamic enough to change and maintain.*

- *Hypnotize yourself and every member of your organization to forget these words: Factory standards. Those limitations apply to you, the retailer, not the end user, the customer! Somehow there are those who feel that an irate customer can be placated by telling her, Ma'am, I'm sorry you didn't like the furniture, but those are factory standard defects, and besides, you didn't pay a lot… The truth is, the retailer didn't bother taking a few simple steps to ensure a better result—touch up, matching the furniture expectations to the customer's budget, send delivery drivers who don't frighten people and can speak English whenever necessary, et. cetera.*

- *Stop making floor samples look better than delivered goods. By deluxing and primping the floor models you are creating profound problems if the product leaving the warehouse isn't the same quality. Moreover, using a model with a little distressing on it, when the majority of what you open up on the dock is heavily distressed, only serves to hang the salesperson and the organization as a whole. You must find the most representative sample to show your prospective customers.*

- *Begin autonomous inspecting immediately. By allowing your repair people to do the inspecting, you are essentially eliminating a second- or third-party opinion and handing the inmates the keys. Look, I've been in repair for over sixteen years, and I know that if something is really difficult to repair but absolutely critical to a successful delivery, a certain percentage of techs will "let it go" rather than repair the problem, especially when there is no follow-up.*

- *Empower your drivers to "just say no." Remember my article in FURNITURE WORLD called "Pity The Poor Delivery Driver"? Drivers have the worst job in the organization. They are required to take furniture that may be well repaired, or poorly repaired, or not repaired to unsuspecting customers who then turn on them, sometimes vociferously, when presented with substandard goods. Give your drivers the right to refuse to load something that does not clearly have a snowball's chance of being accepted by a customer.*

You can probably tell from my tone and sarcasm that there are things about this industry that frustrate me. They frustrate me because I know that retailers can do better, and manufacturers can certainly do better, but for some reason, they don't. Since this magazine is geared toward retailers I take issue with some of your practices that in the end, are hurting you and your chance to succeed—especially now. Here's a good one, despite my close proximity to the subject: Poor repairs.

I have seen plenty of examples where

"By deluxing and primping floor models, you create profound problems if the product leaving the warehouse isn't the same quality."



a poor repair staff is in place, and management has done nothing to rectify the situation. Retailers have got to stop thinking that volume will outmatch poor quality and customer service. Either it's acceptable, or it's not. Here are some examples of lousy decisions made by inexperienced or lackadaisical repair people every day—if they even notice:

- **Color mismatch.** *Every piece of a group must match the other—that's why it's called a group. Touch-up colors must match the product lines you represent, and you as the owner must make these products available to your repair staff. We can't, for example, make red dark walnut out of golden oak and fiddletone cherry!*

- **Sheen mismatch.** *You can't have a shiny nightstand top and a dull nightstand top. If the tech is going to make repairs, he or she must return*

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Give your drivers the right to refuse to load items that do not have a snowball's chance of being accepted by a customer.

the item to its original appearance. Steel wool does, in fact, remove scratches! But it also drastically changes what the piece looks like. There are other methods of repairing scratches.

- **Wax filler repairs.** *Fill sticks are not to be used on tops, panels, faces, corners, edges. Remember, they're wax. Ever seen clear, hard, durable wax? The correct product for these applications is called burn-in. Your techs will probably tell you they don't use it for a variety of reasons, and all of them are excuses. It's a difficult skill to learn and master on your own, and they simply don't know how to do it without making a bigger mess. It's actually not that hard if you know how to do it.*

There's no question that the economy isn't doing any of us any favors. All of us have been hit. But furniture, for some reason, is still an antiquated industry, dealing with a lot of raw materials and relying on a subtle balance of function and form. We haven't given enough attention to the end user's expectations, which remain high. Some retailers are on the sharp end of the stick when it comes to correcting entrenched problems. While the task is not insurmountable, it will most likely be herculean, with dramatic efforts necessary in order to enact change. Modifying community opinion about your reputation is difficult, but it can be done if the change within the organization occurs and is permanent. In the South there is a phrase called "backsliding" that refers to an individual's regression from the holy principles of life, and the same term can be used to describe a business person's drifting away from the driving force behind every successful venture… the customer.

Peter Schlosser is a back-end consultant working with Profitability Consulting Group and living in Morganton, North Carolina with his family. You can read many of his articles that deal with furniture repair techniques, hiring/ training repair techs and outfitting repair departments can be found in the operations management article archives on furninfo.com. Questions on any aspect of furniture repair can be directed to Peter at pschlosser@furninfo.com or reach him direct at 828-432-5180.

Advances In Evidence-Based

ADVERTISING

Now is the time to convert expensive, weak retail advertising into highly productive, cost effective efforts using the internet.

Advertising Techniques by Larry Mullins

Creative destruction has been unleashed on the furniture industry. As our economy is being reset, new winners and losers are rapidly being created. Furniture entrepreneurs who have the appropriate marketing strategy, and cash to survive, will achieve a bigger market share. They will reap huge benefits when the normal flow of business returns—especially those progressive entrepreneurs who grasp the idea of Evidence-Based Advertising.

Never before in history have furniture entrepreneurs had access to more information, on a more timely basis. Yet, recession seems to have hit furniture harder than virtually any other industry. "Never seen it so bad," we hear constantly. We wonder: "How could so many big hitters, so many smart furniture people, be in such difficulty?" Many issues affecting our industry are beyond our control. But not advertising. And, during a time when home furnishings have never been a greater value, furniture and mattress advertising has never been so ineffective and wasteful.

Creators of home furnishings ads can fill white space with colorful, beautiful ads in a fraction of the time it took not so many years ago. But, the ads are impoverished of informational content. Home furnishings ad pros have awesome technical abilities. Yet most know nothing of the reliable evidence-based standards that makes advertising work. Without such evidence-based advertising formulas they CANNOT consistently produce effective ads. This lack of training and knowledge is a failure of top management.

And herein lies the opportunity for the independent furniture entrepreneur to recapture market share by adopting Evidence-Based Advertising.

EVIDENCE-BASED ADVERTISING

Evidence-Based Advertising is a total media marketing approach based upon long-standing principles that have been tested and retested and consistently proven to be effective. Do they still work today? Definitely. Times change, and the techniques of using media must be constantly modified, but the core principles are as valid today as they ever were. Perhaps more so, since good advertising stands out in the wasteland of glitzy, but hastily produced, content-starved home furnishing ads of today.

Where did the "evidence" come from? The tested advertising principles were originally developed by direct-response advertisers. Mail order, TV telemarketing, and now Internet marketing pros have one thing in common: they must get positive results or they will quickly go broke. Mail order and Internet pros can test headlines and layouts with micrometer-like precision. Either the appeal brings in returns or it does not. There is no room for alibis. Soon evidence accumulates as



Prospects just don't believe empty claims. Internet experts have learned to use their medium to morph from a stranger, to an expert, to a trusted friend, and thus sell effortlessly to the tough consumer of today. In this article Larry Mullins shows how to accomplish this metamorphosis with content-rich advertising.

direct-response pros change a single word in a headline and the results multiply! This testing once took lots of time and expense but the Internet has revolutionized testing, and the results of multiple ad appeals can be evaluated at an unheard of pace.

The independent furniture entrepreneur at last has the advantage over the Big Boxes because it takes so long for a titanic corporate machine to change course. The failure of home furnishings advertising to be cost-effective for the Big Boxes is the result of too many crucial decisions that were based upon pre-recession market conditions. The original theory was: Just run more advertising than anyone else, and overwhelm the market with a geyser of print and TV.

> **"There is only one language of advertising. It is the universal language of the prospect. 'What's in it for me?'"**
>
> **-Clyde Bedell**

Expensive, but it did work for a while, when the use of slick color flyers was a relatively new idea. But, newspapers are now cluttered with flyers and the playing field has leveled. Moreover, the recession customer is tougher, internet savvy, and suspicious. So the big box tsunami of TV and print continues to drain more and more cash while producing less and less result.

The time is ripe for the independent home furnishings entrepreneur to review the proven, evidence-based principles about advertising and put them to work. (more on this later). Resolve to start creating messages that are content-rich, and develop a media plan to deliver them. As to media, there is a new kid on the block, the Internet. Make friends with it. When integrated with your other media, the Internet is definitely a game-changer. The Internet is in dynamic flux

"I am sometimes attacked for imposing 'rules.' Nothing could be further from the truth. I *hate* rules. All I do is report how consumers report to different stimuli. I may say... to an art director: "Research suggests that if you set copy in black type on a white background, more people will read it than if you set in white type on a black background.' A *hint*, perhaps, but scarcely a rule."

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"What is the purpose of a headline?" The answer may surprise you: "To get the prospect to read the next line."

and new marketing possibilities for retail are constantly emerging.

THE INTERNET ON A HIGHER LEVEL

I have written about using the Internet, especially how progressive merchants are enhancing their websites. *(See Forget Old Media, Use People Media™ -- Part 5, posted to the marketing management article archive on the furninfo.com website.)* But, things are happening so fast I recently attended an internet seminar in Phoenix. For a seasoned 30-year pro who learned the basics of advertising from the great Clyde Bedell, this training seminar was a revelatory experience. I was surrounded by fellow students who spoke a different language (Internetese) and who knew much more about the medium than I did. Everyone at these seminars seemed to understand what was going on better than me, a humbling, but eventually an immensely rewarding experience. The first thing I learned—and you must also understand—is this:

1. Advertising can work effectively on the Internet because it has a great potential to be engaging and persuasive rather than being intrusive and impersonal. Traditional intrusive advertising, especially poorly crafted advertising, is becoming less and less believed, and thus less and less effective. A couple of years ago we could view the Internet as a medium for the younger prospect. No longer. Older people are checking company websites before they go shopping.

The next thing I learned about the internet was something I already knew to be true about ordinary advertising. It's something Clyde Bedell and all the advertising pioneers of old taught. Today it's still being proclaimed by brilliant gurus such as Jay Abraham *(see Forget Old Media Use People Media™ - Part 4 on FURNITURE WORLD Magazine's furninfo.com website)* and Jay Conrad Levinson (of Guerrilla Marketing notoriety). These experts teach the same principle I teach, but too many furniture entrepreneurs are still not getting the message and applying it to all their advertising communications:

2. Prospects just don't believe empty claims that are not supported by an effective, plausible, evidence-based story written by someone they accept as a credible expert who is also a trusted friend.

Did I say trusted friend? Yes, I did.

How is it possible to position oneself as a credible expert who is also a trusted friend? I'm going to tell you exactly how to do this in this article. But first I want to establish a third principle about the Internet that you must know to revive your overall advertising effectiveness.

3. To gain a substantial competitive advantage, those furniture entrepreneurs who are still standing must learn to apply evidence-based, proven advertising principles to all their print, mail and air media and marry them to an effective presence on the Internet.

As we rebuild from the rubble of the current economic catastrophe, now is the time for furniture entrepreneurs to adopt an approach to marketing that will enable them to convert expensive, weak efforts into productive, cost effective advertising. The technology and motivations are in place to implement "Evidence-Based Advertising " as never before. This will result in a substantial competitive advantage to those who rigorously adopt it.

INTERNET EXPERTS & EVIDENCE-BASED ADVERTISING

One of the first pleasant surprises I got during my continuing Internet training period was that the most successful Internet practitioners are learning and applying traditional principles. These principles are based upon Bedell's famous premise:

There is only one language of advertising. It is the universal language of the prospect which is, "What's in it for me? What will I get out of it?"

Here, with a few embellishments and modifications, are Bedell's Six Cardinal Principles of Good Advertising:

1. All good selling is serving. That is, meeting your prospects' needs and exceeding their expectations.

2. People buy only to acquire benefits

that are more valuable to them than the cost of the product or service being offered.

3. These benefits must be logically supported by specific product features.

4. When a sufficient amount of adequately supported benefits accumulate, they credibly promise to fulfill the aspirations of a prospect. These benefits are not for product like a sofa, or a mattress, but for a more beautiful, comfortable home or for the renewed health and energy resulting from more restful sleep.

5. Prospects are hungry for information and will read, and often reread, any amount of copy if it is interesting, vital, and addresses the specific need they are seeking to fill or problem they are seeking to solve.

6. Top management, beginning with the CEO, must understand, believe in, and enforce these cardinal principles that make advertising productive and maximally cost-effective, or they will be crushed and lost under the weight of ignorance and prejudice.

On the Internet you only have a few seconds to persuade prospects that they are on the right page. Just as in your print advertising, you need a killer headline that quickly persuades them it will be worth their while to read the next bit of information. NOTE: When interviewing an ad department, I often test ad people with the question: "What is the purpose of a headline?" The answer may surprise you: "To get the prospect to read the next line." And, what is the purpose of that next line? Ditto, to get them to read the next line, and on and on. Keep in mind that although the impatient Internet prospect likely came to you (for free) out of the blue, they are nonetheless precious.

Many of the Internet gurus are multimillionaires. They have low overhead and virtual offices with very few employees. Although they are generally unaware of the brick and mortar world of retail, in the cyber world they are masters. They have acquired the simple three-step formula that today's furniture entrepreneurs understand and honor on

Top 10 Advertising Books



These books span over 100 years of advertising theory. They are still in print, with the exception of the 1903 book. :

[#1] ***The Theory of Advertising*** by Professor Walter Dill Scott, who taught at Northwestern University. The principles of this book are still being used today.

[2]. ***Scientific Advertising*** by Claude Hopkins is another book still popular with advertising gurus.

[3]. Clyde Bedell (of the National Advertising Hall of Fame) wrote ***How to Write Advertising that Sells,*** and it remains the best method-approach to writing effective copy.

[4]. Bedell's 15 Part Series, ***How to Convert White Space into Copy that Sells*** condenses his ideas into an easy to follow, step-by-step course, and is a minimum essential for any serious student of advertising. (The advertising samples in these older books are dated, of course. However, the principles remain as valid today as ever.)

[5]. ***How to Create Successful Catalogs*** is the bible for direct mail pros, and any individual who creates flyers should become intimately acquainted with its contents.

[6]. ***Tested Advertising Methods*** by John Caples was called by David Ogilvy "The most *useful* book on advertising I have ever read."

[7]. ***Ogilvy on Advertising*** is one of my top five picks for great ad books.

[8]. ***Advertising Secrets of the Written Word*** by Joe Sugarman is engrossing and content-rich from cover to cover.

[9]. The ***Guerrilla Marketing*** series by Jay Conrad Levinson is unequalled in the concept of *relationship selling,* with the possible exception of:

[10]. Jay Abraham's smash hit: ***How to Get Everything You Can Out of All You've Got.***

the sales floor, but have forgotten in advertising.

The Internet experts have learned to use their medium to morph from a stranger, to an expert, to a trusted friend, and thus sell effortlessly to the tough consumer of today. I promised to explain how they do this, so read on.

USE YOUR ADVERTISING TO ESTABLISH YOUR EXPERTISE

The first task of your media communications is to establish yourself as the pre-eminent expert on home furnishings in your community. This is not so difficult, since competitors have left an information void for you to step up and fill. Ask yourself: What are customers looking for when they come to my website? Or when they pause to look at one of my print efforts? Or when they are induced to open my direct mail appeals? Or when they walk in the door of my showroom? Information. More than that, they are looking for expert information that is trustworthy. You, or your representative, are a stranger. Every good salesperson knows this. It would be unthinkable for a salesperson to greet prospects by screaming something like: "Incredible Fourth of July Sale!" Yet this is exactly how most home furnishings websites greet customers.

Each medium is different, but the principles hold. In a print ad or flyer there is more display area and more time to engage the customer's fleeting eye. In a one-on-one encounter, a low key confidence conversation sets the sales sequence into motion. But on the Internet, the prospect is usually much more impatient and has come to you for fast information to solve a specific problem. The first thing you need to do is to establish that they have come to the right website—and next—that you are the preeminent expert in home furnishings in your city. You do this by providing them with free information they can use. There is an art to doing this on the Internet, no less than on the sales floor or in a direct mail piece.

CONTENT IS KING, PERIOD

There is a saying among the Internet devotees: Content is king. The websites and advertisements of most furniture stores, even the Big Boxes, are pathetic when it comes to supplying information. The prospect wants to know: WHO are you? Why should I believe you? How long have you been in business? Are your sales consultants trained? WHAT do you offer that is better than your competitors? Selection? Service? Expertise? Guarantee? WHY should I buy from you? … and on and on. Ask your top sales consultants to come up with ten questions they are most frequently asked. Offer free stuff … downloads rich with information, free decorator clinics, free house calls *(Margarett DeGange's excellent FURNITURE WORLD series can provide you with scripts for the clinics. If you want links to articles you can use to set up a House Call program, just send an email to russ@furninfo.com)*. Make sure

“The websites and ads of most furniture stores, even the Big Boxes, are pathetic when it comes to supplying information.”

your ads mention your website and that your website ties in appropriately with your other advertising.

Unfortunately, once a website is up and running, it is usually abandoned by top management. The CEO, especially, rarely visits his or her own website. Too often the only new information on a website is the current advertisement. Prospects are not greeted by content-rich presentations developed by the preeminent expert on home furnishings in their city (you), but rather by some bombastic, faceless stranger.

Advertising is nothing more or less than professional selling multiplied by a medium. A top-level professional ad person is one who has mastered the body of knowledge about advertising and communicating content-rich messages. This person knows how to use traditional mainstream media and the Internet in a synergetic manner to maximize advertising effectiveness to a new level.

A complete discussion of effective website development is beyond the scope of this article. But I strongly suggest you review the May, 2008 article *(posted to www.furninfo.com)* about how Wendell’s Furniture is using short web videos to engage prospects . For a hundred dollars or so you can buy a web camera and create your own videos. You can greet your website prospects with an easy-to-access video instead of a boring “About Us” tab that no one reads. Over 60% of web surfers are viewing videos.

Yes, there is much more to learn and do. But if you spend an hour a day working on your Internet marketing expertise, in a year you will have accumulated over nine forty-hour weeks of study. If you work at it, when prospects hit your city name and “furniture” or “home furnishings” you will be near the very top of the Google list. Don’t leave such critical issues to a computer technician whom you never even talk with. Learn to talk his language, let him know you are engaged and challenge his work. Teach him the tested and proven principles of effective advertising and orchestrate a synergy with your mainstream advertising efforts. While your competitors are still frozen like a deer in the headlights, get ahead of the curve with Evidence-Based Furniture Advertising. These actions will put you well ahead of all your competitors.

Larry Mullins is a contributing editor for FURNITURE WORLD Magazine and has 30+ years experience on the front lines of furniture marketing. His mainstream executive experience, creative work with promotion specialists, and mastery of advertising principles have established him as one of the foremost experts in furniture marketing. His turnkey High-Impact programs produce legendary results for everything from cash raising events to profitable exit strategies. Larry’s newest books, “The Metavalues Breakthrough” and “Immature People With Power... How To Handle Them”, have recently been released by Morgan James Publishing. Joe Girard, “The World’s Greatest Salesman” said of his latest book: “If I had read Larry Mullins’ book when I started out, I would have reached the top much sooner than I did.” Larry is founder and CEO of UltraSales, Inc. and can be reached directly at 904.794.9212. See more articles by Larry at www.furninfo.com or www.ultrasales.com.

Consumer Research

SUPER SNOOPERS

Your customers want you to help them create the image they long to portray through their rooms... to friends, guests and themselves.

Sales Skills by Cathy Finney

Note From Contributing Editor Joe Capillo: *Cathy Finney, whose passing has saddened us all, recently submitted this article for publication In FURNITURE WORLD Magazine. Those of you who knew Cathy and dealt with her over the decades know that she was always trying to open all our eyes to the value of dealing with customers on a higher level than (as she might say) just "selling them a "green one". So, please enjoy this, the last of her messages to FURNITURE WORLD readers. We'll miss her excitement, her dedication to ideals, and her advice.*



There is no obvious reason why our customers should decorate their homes, but we humans don't need an excuse to do what comes naturally. They decorate their surroundings to claim them as their own, to make them feel comfortable, functional, tell something about themselves to visitors or bolster their own sense of self. This designing imperative is far from a random process.

Dr. Sam Gossling, The author of "SNOOP," a book that deals with the psychology of everyday possessions says, "We can capture something about a person's character and personality, values and habits, hopes and dreams, just from looking closely at their rooms." Clues to character that are left behind are like a mosaic of personality.

Dr. Gossling hired teams of researchers to look around people's spaces; their homes, dorm rooms and offices. One team was asked to write down their impressions of the owner of each room based solely on their snooping. At first he thought that it would be difficult to get people to allow "snoopers" in to look at the placement and organization of their furniture, accessories, books and personal photos. Who would want strangers making judgements about them based on the level of mess or the fact that they alphabetize the books on their book shelves or arrange their sock drawer with all the socks facing the same way? He was surprised to find his subjects were willing to go along with this because they wanted to find out how they are seen on the basis of their personal spaces.

Gossling used a second team of researchers to catalog the details of each space. He also asked the occupants to fill out a personality questionnaire and had each subject's friends fill out a questionnaire as well. This final step was necessary because people often don't see themselves as others see them.

His findings are interesting and useful to those of us who make a living helping "Ethel" to buy our furniture that will make her rooms, just what she wants them to be.

Based on Gossling's analysis of the data, he determined that there are three broad processes that affect how people decorate and keep their spaces.

IDENTITY CLAIMS

These are deliberate statements our customers make to others and themselves through their belongings. Identity

"The plot revolves around her wants and needs for her family and her home. We're not selling furniture. We're fulfilling dreams."

"I offer this service to my clients who purchase, so that the process is fun. I will also save you a great deal of time and effort. I will do the work for you."

Claims tell the world what they're about, and include items such as posters, bumper stickers, awards, photos, and mementos… the ones that scream out, "Mine, mine!" Bumper stickers are great in defining their owners. (Be Your Own goddess… Whining Isn't Winning!… When You're In Second Place, Your View Never Changes…You're Either Part of the Problem, or Part of the Solution.) People who have a poster of Malcolm X, Albert Einstein, Cute Kittens or Arnold Swartzeneger over their fireplace or above their desk are making a statement. Do they have pictures of themselves meditating on a mountain or partying with friends on their walls? A collection of romance novels, or encouraging sayings stuck to the refrigerator door can also be telling.

FEELING REGULATORS

These possessions affect how our customers think and feel; subtly or obviously altering their spaces. For example, a trinket displayed prominently on your customer's desk might make its owner feel romantic, but would be meaningless to casual observers. Feeling regulators help them think about happier times, focus on an important task, or get excited about an upcoming event!

BEHAVIORAL RESIDUE

These are inadvertent traces of behavior. Your customer's messy house might be a Feeling Regulator or Identity Claim *(For example, showing their mom that they don't need to clean up their room anymore!)* but could just be behavioral residue. Perhaps it is a habit or an indication of a busy lifestyle. It could be that your customer doesn't think it's messy, or he or she might have a sloppy roommate. Behavioral Residues are hardest to control. Different personalities perceive the world in various ways, and behaviors are subject to external circumstances. Sometimes it is the lack of an act that leaves a residue; the soiled empty coffee cup on the desk is a residue of inaction that tells a lot about a person's traits, values, and goals. Traces of personality can be found in the most unlikely places.

So what does all this have to do with furnishing our customers rooms and selling furniture?

We've established that Fred and Ethel's home is their palette. That's why you need to find out what they are painting on their canvas, so you can turn that mess into a masterpiece that reflects their identity.

What does their home look like? Is it sleek and dramatic, cozy, warm, and inviting, fun, lived in, and full of "busy parts?" Is it spilling with furniture and knick-knacks as far as the eye can see? What accent pieces are taking up residence? What "trinkets" are strewn across their desks? Is what's on display promoting their passion? If not, perhaps they might want to consider discarding any and all "items," and start over! Does what's scattered across their cocktail tables tell the world what they're thinking about?

DECOR DECODERS

Most of your customers don't have any idea what they're broadcasting to the world, but those coffee cups on the desk,



"There are three broad processes that affect how people decorate and keep their spaces."



and the wilting plant in the corner are signals to observant retail "snoops".

You can discover what your customers are saying and what they really want. Dianna Booher, author of "The Voice of Authority," points out, "The customer sees you as equivalent to a website or a brochure. Communication skills are the only thing that sets you apart from any other source of information. It's all about communication."

So how do you communicate the information your customers may want to know about what their spaces are saying? First you need to get some information from them.

A house call is certainly the best way. As mentioned in my January 2000 article, "Make More House Calls," When you are invited into her residence, "Ethel" becomes more than just a customer. She becomes your client! That's how you can build your base and your business.

The national average closing percentage for a first-time customer walking into a retail home furnishings store is approximately 25% (17%-18% may be much more realistic!). The closing percentages for house calls are between 93%-98%. If a customer trusts you enough to let you in her home, she has bought you already!

As Dr. Gossling found out, your customers really do want to know how other people view them on the basis of their home décor. They already know that their friends, family and houseguests are expert snoopers, making all sorts of judgments from the moment they walk through the door. Guests are generally too polite to tell their hosts that their room décor makes them seem tasteless, like a pack rat, or a narcissist. That's why they should hire you, a real professional to help them to create the image they really want to project.

So what might you say to get "Ethel" to say yes to a house call appointment?

- *"Let me tell you about a service I offer to my clients who purchase here at Sofas-R-Us."*
- *"Yes, I am going to help you coordinate your room, based on what you tell me you want to create; the feeling and purpose you want it to project."*
- *"Let me come out and verify the measurements. That way, I'm responsible!"*
- *"I offer this service to my clients who purchase, so that the process is fun. I will also save you a great deal of time and effort. I will do the work for you."*
- *"Think of me as your room doctor. You bring me in when your room needs a little help."*

Once you are in "Ethel's" home you can do some snooping. Decode what makes her tick. Find out about her family and how she intends to use her room. Yes, you will get measurements of her room, but you are also there to get enough information to personalize a room plan so that it will be appropriate for her lifestyle as she wants it to be; not necessarily as it appears now.

Dr. G cautions us that the biggest mistake people make is to put great emphasis on single clues. There are many reasons why a customer might have a stuffed kangaroo in the corner of their room. This single clue should be modified by other clues. Build up a case, piece by piece.

He says that we should be cautious about distinctive objects… those that really stick out. For example, his researchers visited a person who seemed to have a socially responsible, kind person's room. She had a non-edgy music collection, and inviting space, and a calendar with socially responsible events marked off. In the corner was a plastic crate with a bunch of drug paraphernalia. If you see something that is inconsistent, you should discount it. Or ask questions. He says to allow distinctive things to fade into the background so you will be able to see consistencies.

You have an advantage over Dr. G's researchers in that you've already spoken to your client and collected some useful information up front.

You not only need to be on the lookout for what they need, but also who they are and how they want to buy. Some of your customers' most obvious needs cannot be discovered by peering into their closets and checking out the clutter in their home offices. So be sure, that while you are snooping for information about their rooms, read your customers, react to them as individuals and respond to their moods, and mannerisms.

Dr. Gosling emphasizes, "What we can learn from how people shake hands or how they decorate their desks serves as a working hypothesis into the customer's psyche."

One person who has taken looking into his customer's psyche seriously is Chris Travis. Mr. Travis runs Sentient Architecture, a firm that conducts in depth interviews that try to get to the heart of how his clients perceive the space they want him to design. His system matches psychological needs to physical spaces and the feelings they evoke. His architectural plans don't

have labels such as bedroom, dining room or living room. His labels denote the psychological space… the feeling each room evokes. This might be a great idea for your next presentation!

"We define "home" as an ontological state – a state of being,' says Travis on his blog at http://architecture-of-life.blogspot.com. "'Being at home' is the experience of living in a physical and psychological place that inspires and empowers a sustainable and fulfilling experience of life."

So, Question! Gather! Listen! Collect your props. Help this "person" steal the show. Make her the "main attraction." The plot revolves around her wants and needs for her family and her home. We're not selling furniture. We're fulfilling dreams. We're creating magic. We're bringing the rooms in her home to life! It's the "nest." It's where she relaxes, recharges, and re-energizes.

SALES ADVICE FROM CATHY

1. Smile! You are a professional.

2. Tell "Ethel" that your job is to help her with her room, making it easy, painless & fun! Say that you will do all of the work so that she has none of the worry!

3.Treat "Ethel" as a unique individual. Don't spout forth the same script to every customer you encounter

4. Be friendly and look forward to finding out who your new customers are.

5. Never hide out in "Fortdom," behind the counter, your desk, or the lunchroom.

6. Learn how to ask for referrals.

7. Tell Ethel WHO you are, WHY you are here and HOW you can help her.

8. When closing, Don't say, "let's write up the order," instead say, "Let's Do It! Let's get your new room started!"

9. Use open ended questions instead of the dreaded "Lizard Words" that customers can answer with a yes or NO

10. Sales by appointment is not an impossible dream.

REMEMBERING CATHY FINNEY

Cathy Finney, effervescent sales educator, motivator, management consultant and longtime contributing editor to FURNITURE WORLD Magazine died on June 8th after a long struggle with Multiple Sclerosis. She was 59 years old.

Cathy helped retail furniture store sales and design associates to turn customers (she called them Fred and Ethel) into clients. An enthusiastic mentor and friend to up-and-coming salespeople, she told them to remember that they are skilled professionals and that "Ethel" needs them to get the best possible result for her room or project.

Toward this end she advised them to say, "I'm here to assist you and save you time." "I want to establish a long-term relationship with you." I'm here to make this process easy, painless, and fun!"

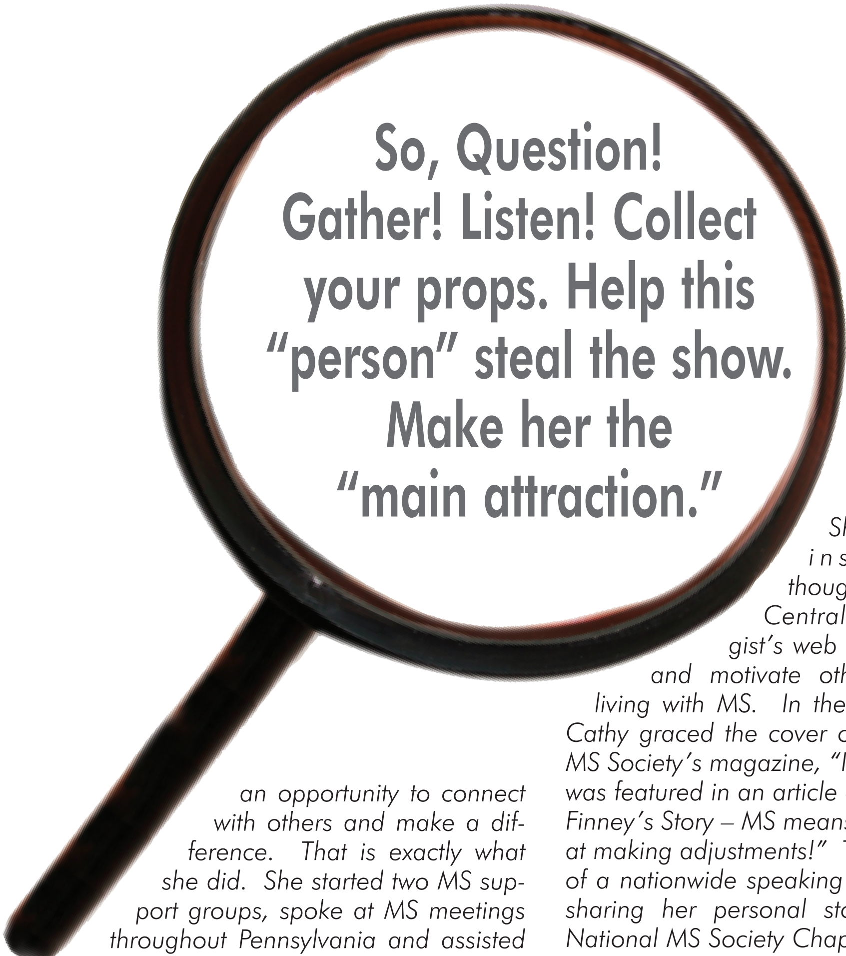
She was, in fact, a dynamo in a tiny physical package. Her attitude in confronting her MS was reflected in her advice to FURNITURE WORLD readers. She asked them to be fearless, get out from behind the 'Fort', tell Ethel who they are, how they work and what they expect Ethel to do for them."

Cathy Finney got her start in the furniture business with Ethan Allen where she worked closely with Furniture Hall of Fame member Nathan Ancell. Her company, Ancell Affiliates \"T 'N T" resulted from that close relationship.

When diagnosed with multiple sclerosis (MS) in 1997, Cathy jumped into learning everything she could about MS and how she could turn a life changing moment into



So, Question! Gather! Listen! Collect your props. Help this "person" steal the show. Make her the "main attraction."



an opportunity to connect with others and make a difference. That is exactly what she did. She started two MS support groups, spoke at MS meetings throughout Pennsylvania and assisted with a variety of fund raising efforts to secure support for basic multiple sclerosis research.

She also wrote inspirational thoughts for a local Central PA neurologist's web site to connect and motivate other individuals living with MS. In the Fall of 2000, Cathy graced the cover of the National MS Society's magazine, "Inside MS" and was featured in an article entitled" Cathy Finney's Story – MS means must succeed at making adjustments!" This was a start of a nationwide speaking tour for Cathy sharing her personal story with other National MS Society Chapters across the country and as a motivational speaker for Biogen.

Cathy Finney worked tirelessly for the welfare of persons with MS. According to Cathy, "there is a reason why people get MS, a fate or purpose, a personal challenge or a tool to teach others or a platform to do some good in the world." Cathy lived her life focusing on these words.

Those wishing to make a contribution in Cathy Finney's name can send it to the MS Society, Central Pennsylvania Chapter, 2040 Linglestown Rd., Ste. 104, Harrisburg, PA 17110, Phone: 717-652-2108.

Cathy's articles that help store managers, retail sales and design associates turn "browsers into clients", are posted to the sales education and sales management article archives on the the www.furninfo.com website.



What To Do Now About GENERATING SALES

A close look at two critical sales metrics and a plan that works to help you generate more business right now.

Sales Management Magic by Joe Capillo

Let's get right to the point. Here's what I think you should be doing right now to generate more business.

IMPROVE YOUR STORE'S CLOSE RATIO

The first thing you have to do to improve sales is get more customers who shop, but don't buy, to return to your store. With overall close rates being historically around 20-22% that means you're talking about as many as 80% of all customer visits not resulting in a sale. Evidence and history have shown that closing rates (conversion rates for the professional retailers among us) for first-time shoppers on a given furniture purchasing project are around 10% on average. Your best closer will be at about 15%, but your worst will be at 5%, so the average is likely around 10%.

Evidence and history also show that close rates on 2nd time shoppers (be-backs) on the same project are around 70%. Again, your top people will be at 90% and your worst closers will be at 50% (or thereabouts). So, if you have 100 shoppers and 85 are new (first time on this project), you'll close 8.5 sales with them. If the other 15 are be-backs (on the same project), you'll close 10.5 of them for a total of 19 sales and a 19% close ratio. That's close enough to 20% to not call me a liar. More be-backs mean more sales closed. If you could still make those 8.5 sales to first-time shoppers, but raise your be-back customers to 20 (out of every 100), you'd make 4 more sales. 23 is 21% higher than 19, so this is one way to have a 21% increase in sales. If you're not tracking this critical metric, you should be.

So, now I guess I'll have to tell you how to get them back. The secret is to treat them right the first time they come in. You need to impress them. This is where the new mantra about managing your customer's experience with your store hits home. Make an impression that deals with things that are important to your customer – like her decorating problems, her uncertainty, and her fears about making a mistake. Deal with her room, where the problem lies, and employ people and systems that can help her through all the difficult choices and decisions.

Back around 1993 Steven Covey wrote a book titled "The 7 Habits of Highly Effective People" that told us that one of the habits these people share is that they seek first to understand, then to be understood.

Suppose your selling agenda was "to understand" instead of "to sell." Would that change the experience customers have in your store? What if you concentrated totally on the customer; on her

> **"Covey also said something I've never forgotten: 'Sometimes' he wrote, 'the way you see the problem, is the problem.'"**

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CLIENT TESTIMONIALS

In looking for a travel incentive for our customers, I was approached by Travel America. I heard about the travel incentive business (pros and cons) from other industry colleagues and my main concern in deciding which company we worked with was if they would take care of our customers the same way as we do: with respect, integrity, compassion and to deliver a quality product at a competitive price. In the end, we ordered 8 times and purchased over 800 incentives in our month-long promotion. I have to say that my experience working with Travel America has exceeded my expectations and I am very happy with the success of the promotion, their programs, and the overall experience. Finding quality partners to work with is one key to a successful business and I am glad that we have Travel America as our travel incentive provider.

Advertising Manager, Ashley Furniture HomeStores

I am a firm believer in the power of Travel America to not only generate quantifiable increases in store traffic, but to also provide our sales staff with the ultimate closing tool—increasing not only sales but closing ratios as well. Travel America's unique travel incentives were responsible for traffic and sales increases in our stores, as well as an increase in the average ticket throughout the entire run of the campaign. They are marketing professionals, and understand the unique demands of retailers, offering complete turnkey solutions—including a complete line of P.O.P. and P.O.S. materials. I have 10 stores and have reordered the Vacation Celebration incentive from Travel America 11 times in the last year.

Director of Marketing, Linder's Furniture

We have 12 stores in six states and all of our stores ran the Vacation Celebration sales incentive promotion this past year. It helped generate high levels of consumer excitement, driving them into our stores and making new furniture purchasing commitments. Travel America have handled everything that we have asked of them and in several cases their travel consultants and booking agents went above and beyond in order to satisfy our customers desired travel itineraries.

Director of Marketing, Turner Furniture Holding Corp.

I was looking into running a new and exciting promotion for my company last year, and discovered the benefits of using travel incentives. I was looking for a credible company that offered these types of incentives with a high perceived value at a low cost to us and our valued customers. That is why we use Travel America as our travel incentive provider. Last year we ran two promotions in July and October/November, using Travel America's incentive trips with a choice of a vacation to Las Vegas, a Carnival Cruise or a getaway to Cancun, Mexico. We are very pleased with the results of the promotion, the value, the overall experience using Travel America, and plan on running their promotions again in the future.

VP of Marketing & Merchandising, Roomful Express

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"Suppose your selling agenda was understand instead of to sell. Would that change the customer's experience?"

issues only, until you fully understood everything that's going on in her mind and her room regarding this new furniture purchase? Then after achieving this level of understanding you offered a plan to help her resolve these issues, and offered to help her complete the project at no charge. Would that kind of service bring people back again? Maybe even by appointment! Covey also said something I've never forgotten: "Sometimes" he wrote, "the way you see the problem, is the problem."

Getting furniture shoppers back to your store (and your salesperson) on the same project is the number one best way to improve your closing ratio. Improving your closing ratio from two out of ten customer visits to three out of ten, improves your sales by 50%. Think about that. If you normally convert 20% of customer visits to a sale, converting just 10 more out of every 100 customer visits will increase your sales revenue by 50%.

Where else can you get that kind of improvement without having to attract one more shopper than you already have?

Of course, this math holds true only provided that your average sale remains the same for the new sales you'll make. Remember the selling equation:

Sales = Customer Visits X Close Ratio X Average Sale

So, you see, there is a second element of this equation, and here's the better news: Not only do those "be-back" customers buy more often, they also buy more stuff! This is probably because many of them need more stuff which probably was the reason for them being unable to make their decision the first time.

IMPROVING YOUR AVERAGE SALE

Let me state my position on this right at the start: You can only improve your Average Sale dramatically (meaning by hundreds of dollars) by selling a few customers A LOT more furniture. You can improve it a little by selling add-ons – like warranties, additional options on furniture items, and it's important to do this to capture every available revenue dollar while providing valuable benefits to your customers. However, if that is your main focus; if you are fixated on selling add-ons or add-ins, options, or step-ups, you will surely miss the real opportunity – filling rooms.

If you've followed my articles over the past dozen years or so, you know my mantra is that our business is NOT about furniture, it's about rooms. It's rooms where people live, and where that almost indefinable feeling of home takes root. It is where children and parents exhibit the characteristics of strength and "foundation". It's about home! The specific things are important, but we all know after decades of visiting High Point, Vegas, and wherever else furniture is displayed, that there is way more stuff available than any consumer needs to create a beautiful room and home. It's not as much about what they buy, as what it does for them in their home. Help with that, and you'll have customers for a long time.

Make sure your salespeople always deal with the room. How? Simple; just have them ask every customer to "Tell me about your room." No matter what your customer is shopping for in your furniture store, it's a good bet that it's going into some room in her home. If your people can help her deal with the uncertainty, the "art" of her purchase, and the design part of the decision, you'll find those 2 or 3 customers out of 100 who will increase your overall average sale by hundreds of dollars.

Now, do you have to be a designer to serve customers like this? My answer to this question is always the same. It depends.

Every salesperson in a furniture store should be able to do some basic things relative to the end-use of the furniture he or she sells. Putting fabrics and colors together is one of them. Doing rough room sketches is another, and these days with a half-dozen or so room layout software programs available, every salesperson should be able to produce a scaled room layout on the computer. This is pretty basic stuff for our business in the first decade of the 21st century.

Here's why I'm so big on this: In a recent study of furniture buyers, nearly half stated that they were uncertain about the design aspects of their purchase. In non-related research, 40% of respondents who reported having shopped for furniture in the previous year, also reported that they did not buy. This study was performed annually for several years with similar results.

What's stopping these consumers from buying? It has nothing to do with the number of possibilities presented to them in our stores. The problem lies in their rooms and homes, where uncertainty about design issues causes many potential buyers to put off making the





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"If you are fixated on selling add-ons or add-ins, options, or step-ups, you will surely miss the real opportunity."

decision and to simply withdraw from the marketplace.

CONCLUSION

You're probably missing a lot of business due to the range of performance your salespeople experience in the two major items in the selling equation they control: Close Ratio and Average Sale. If you don't measure your close ratio and average sale, but only look at sales volume, you'll never be able to improve your performance. Second, if your selling strategy doesn't include dealing with your customers' rooms, you are giving up a tremendous opportunity to make more sales. The worst part of this broad industry blind-spot is that the customers to whom you need to make these additional sales, already shopped in your store, saw things they liked, found your price to be fair and affordable, and left without buying. In fact, if research has any value, and I believe it does, 40% of your total



customer traffic from the past 12 months could still be out there with their needs unfilled. Sure sounds worth thinking about.

Joe Capillo at Top Line Strategies offers strategic selling system development, sales training, and sales management training systems to furniture retailers. His first book, Living on the Top Line, will be published in October 2009. Visit Joe's website at www.joecapillo.com for more detailed information.

Joe makes himself available for private consultations on any aspect of retail sales management and retail sales education. He can be reached at joecapillo@furninfo.com or call him directly at 267-374-9127. See all of Joe's articles on the information packed FURNITURE WORLD website furninfo.com.

Warehouse Space Case Study

SHERMAN'S

Central Illinois furniture retailer continues to grow. Taking advantage of back-end operations efficiencies really helps.

Operations by Dan Bolger, P.E.

Sherman's is a Central Illinois full service retailer of furniture, bedding, electronics, home theater, home systems and appliances. It has grown while larger competitors have failed in their marketplace. Sherman's is a family business headed by Paul Sherman and includes Paul's sisters, their husbands and an experienced staff. In essence, they have continuously sharpened their management and technology skills throughout the organization and added showroom and operations facilities. Sherman's competes head to head with the largest retailers through their participation in the Nationwide Marketing Group.

This has been a very busy year for Sherman's. It replaced its Peru store and expanded the Peoria distribution center. The long-term viability of each of these locations was excellent, and new facilities were built on land they already owned for a substantial savings. Overall showroom space increased from 44,000 to 60,000 square feet. The additional space made it possible to substantially increase case goods presentations. The Peru store has been well received by Sherman's customers. Utility costs are a fraction of what they were at the previous building due to improved lighting, heating and air conditioning technology.

The Peoria warehouse and operations space effectively tripled by retaining existing 10,000 square foot low bay storage and adding 25,000 square feet with 35 foot high bay racked storage, dock doors, receiving/ shipping staging & prep space, office, shop, trash/ recycling, etc. A fully secure enclosed room for appliance recycling provides authorized recyclers access during off hours for their convenience.

Construction was accomplished in two phases to avoid offsite warehousing throughout the project. Detailed construction and operations planning made this possible. An addition was built behind the existing facility with two dock doors. When this facility was fully enclosed, operations were transferred to the new space. The existing facility was demolished and replaced. Photos show the steps. Sensor lighting controls keep the warehouse dark with exception of zones where activity is taking place.

The new facility makes it possible to provide in stock next day delivery seven days each week. Evening deliveries are also offered on Wednesday and Thursday. This reduces the traditional Saturday overload. Prompt customer pickups are available. Their Peru and Bloomington/Normal locations carry a limited number of small items and fast movers for immediate customer pickup. Next day customer pickup is available for items transferred from the Peoria central distribution center.

"Perfect Delivery" Statistics for each of their delivery teams are posted where they are highly visible to employees and customers. Each delivery







A, New Peru store behind old.

B. New warehouse construction

C. New warehouse construction.

D. Weekly and quarterly delivery statistics.

E. Pickup counter and office





team is measured by three goals. Deliveries are to be:

1. *Damage free.*
2. *Professional & Accurate.*
3. *Loaded Right & Complete.*

Perfect Delivery performance, based on customer surveys affects the income of team members. These surveys are given to customers at time of delivery and mailed back. Delivery metrics are a reflection of system wide metrics used throughout the business in places where individual performance can be measured.

Technology wise, Sherman's uses PROFITsystems. The company is also an active participant in a PROFITgroup.

"Perfect Delivery Statistics for each of their delivery teams are posted where they are highly visible to employees and customers."





F. Prep, receiving and staging.

G. Compactor area.

H. Docks & delivery staging.

I. Customer pick up area.

J. Outside docks.







"The new facility makes it possible to provide in stock next day delivery seven days each week."

Paul sees the performance group as an opportunity to converse with non-competing retailers in a structured environment with goals and assignments. It provides open exchanges with fresh views as they rotate meetings among the retailer locations.

Sherman's web site shermansinc.com and Paul's Blog are significant marketing tools that provide consumers with a wealth of information. Change is continuous at Sherman's. With a new Peru location and Peoria upgraded, their attention is shifting to the Normal location scheduled for renovation in the near future.

The bottom line summary is that the lines of communication are short at Sherman's and the management team moves quickly to resolve issues. Their attention to customer satisfaction will continue to serve new and existing customers while providing additional opportunities for their employees.

Daniel Bolger P.E. provides operations consulting services to clients throughout North America. FURNITURE WORLD Magazine readers can contact him at bolger@furninfo.com. For more information on transportation, logistics and furniture warehousing topics, go to furninfo.com to read all of Dan's articles.

PAUL SHERMAN'S EXPANSION TIPS

1 Spend the time necessary to think through your expectations for the facility processes for every function from inventory management through receiving, material handling, storage, customer pickup, delivery, service, recycling/trash, employee accommodations and cost.

2 Most retailers will only build once or twice in their lifetime. With limited experience, there's no way for you to get all the details right. You might want to consider outside consulting assistance.

3 Transfer routine activities to others so you have time to concentrate on critical details of the expansion and maintain a family life.

7 Common Characteristics of PROFITABLE FURNITURE BUSINESSES

What are the characteristics that separate the best operations from the worst?

Profitable Operations by David McMahon

Truly, the families in the home furnishings industry are some of the most gracious, fun and down to earth people. This is my personal experience for all good, average, and poor business operators.

If you have been reading Furniture World for a while, you can see that our Editor's main agenda is to help the people in this industry succeed. When preparing for my first article a few years ago, he said to me, "I want you to write about what people are asking you in the field. Write about common challenges or questions that they have."

This month, after writing three completely different draft articles for this issue, I refocused on that original request after visiting a business with a ton of potential. This made me think of the two most common questions that I get asked by business owners:

"What have you seen the best operators do?" and "What common mistakes do you see in poor operations?"

Everyone wants to know what is working, right? And, of course, you all want to avoid the pitfalls.

The heart and soul of the furniture business is comprised of independent family operations. At one time I thought that would change. Now I believe that this will remain the norm for some time. That said, only some independents will prosper. These are the ones that operate as true professional organizations that leave any dysfunctional family issues at home.

The most profitable businesses have family members that work well together and complement each other's skills. They act with intelligence and professionalism in their jobs. And they never stop pushing themselves to become better than anyone that they could hire for the same money that they are paying themselves.

On the other hand, family businesses that don't adopt this business ethos or stagnate, have lower profitability. They are reactionary, and manage by "the seat of their pants". These businesses need to improve their ability to survive the next decade as legacy does not extend into the future.

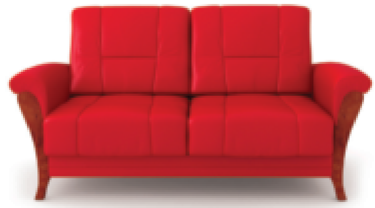
Now, back to the best. Another trait of successful operations is the owner's ability to innovate. They implement the most current systems so that they can keep a constant finger on the pulse of their businesses. If sales go down, they know why and can adjust quickly. They don't just complain that "It's slow". That means nothing in itself. If cash flow is up or down, they know exactly why. The best have positive cash flows, even during recessions. Poor businesses take excessive loans (from banks, vendors, and customers) even in the boom years.

Innovation flows through all aspects of great operations. They implement the best procedures first, and try new ideas.

7 CHARACTERISTICS OF THE BEST RETAILERS

- *There is complete usage of an integrated software system without manual processes. They don't waste time and they run lean.*
- *They pay better for fewer well-trained and motivated people.*
- *They have a web page that is a profit center.*
- *They control their marketing. The best stores realize that the most effective communications come from their own people and they focus on follow up. They implement targeted direct marketing via email that is integrated with their database and focuses on be-backs.*
- *They have 99% inventory accuracy and do this via bar coding. There is no other way. They use wireless to look up inventory and enter sales. This technology allows them to stay with customers throughout the entire sales process.*
- *They have the most recent room*

"Everyone wants to know what is working, right?"



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planning software and use sketching to get to that point.

- *They use systems to track customer behavior so that they can offer better products and services.*

Operations that are making mistakes are making the biggest one of all, doing the same thing over and over with declining results. They are subject to the fluctuating conditions of the marketplace. They have no control of their business.

Great operators really understand GMROI. *They implement the acronym "SMART" steps.*

- ***S**pot the winners – items, salespeople, and customer marketing methods that produce 80% of the gross margin dollar.*
- ***M**aintain the winners properly – focus on 80/20 thinking.*
- ***A**uto-identify and take action on stagnant items – FAST.*
- ***R**eward high gross margin sales. Businesses that have implemented a commission system that pays a higher commission for higher margin report at least a 3% jump in profit.*
- ***T**arget email to your customers. Don't send "blasts" marketing to everyone with the same message either by email, radio, TV, or newspaper.*

Business managers who are not tracking GMROI in this industry should learn to do this. The alternative is another acronym GOB (going out of business). Without a decent GMROI, cash flow is not possible.

Furthermore, profitable businesses realize that, in the long run, GMROI does not only apply to inventory. Consider retailers' biggest other asset, which is ownership of buildings and property. Wealth builds from appreciating assets. Owning real estate is how many businesses make it through tough times. If you are renting now and in this business for the long haul, explore your options to buy while prices are low.

The smartest people think they are not the smartest people and have a lot to learn. These people get advice. They are probably reading this now. The best of the best don't hunker down and live in a cage in their store. They belong to performance groups, attend seminars, and have their favorite business consultants, coaches, and advisors who help them implement change. They are networkers.

These people get things done! They decide. They commit. They don't make false promises. They ooze integrity. When the best say they are going to do something – they DO IT. They cannot be stopped. Entrepreneurs!

Businesses that falter are the ones that cannot make decisions. They are worriers. They do not take risks and as a result, do not realize any rewards.

My bottom line advice to you is: Never wait for the economy! Continue to seek ways to improve your situation, whatever it is. That is what you CAN control. Get help if you need it. And know that many stores do not need much help to get their businesses back on the right path.

David McMahon is Director of e-Strategy and a business coach for PROFITconsulting. PROFITconsulting is a full service consultancy and marketing agency that specializes in retail furniture. FURNITURE WORLD readers can contact David to discuss this and other operations and marketing topics at david@furninfo.com or call him direct at 800-888-5565.

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All The World's A Stage At

MIG and TIG & MORTISE and TENON

Part 1: Two retail chains and four partners on the leading edge.

Retail Trends by Janet Holt-Johnstone

It's almost like show business! A meeting of energized minds, emerging themes, developing story lines, scripting, role recognition, props, staging. And, with the passage of time, plots thicken! Retailers Mig and Tig and Mortise & Tenon boast four principal players. Their extended cast of characters is infinite.

Based one in Chicago, one in Los Angeles, the two M & Ts are independent home furnishings retailers, cleverly named Mig and Tig (think two types of iron welds) and Mortise & Tenon (a wood joint). Owners are Vicki Semke/Kirk Schlupp, and Jerod Lazan/Maite Garcia, respectively. Both entrepreneurial ventures were founded on quality, contemporary product lines, Mig and Tig metal and fabric, and Mortise & Tenon unique wood products.

Each M and T has its own marketing strategy, but there's a history of serendipitous overlapping of imagination and project delivery. And now, almost a decade into the new millennium, the four high energy friends have their sights set on cohesive, cooperative social technology designed to join vendors, retailers and consumers in innovative partnership for mutual advantage.

The adventures began in 1991, a banner year. Vicki and Jerod "met through family. He was visiting Chicago from Los Angeles, I showed him some of the sights and we became great friends," said Vicki. "Jerod and his girlfriend, Maite, had a small wood shop in L.A. they'd opened in April that year. He encouraged myself and my boyfriend (now husband), Kirk, to open a store of our own in Chicago.

"Kirk was a laid –off art director, formerly at Carson Pierre Scott in Chicago, who had started making great iron furniture for interior designers. I had opened a custom sewing shop when I graduated from Harrington School of Design. So we already had our fingers in the industry somewhat.

"We were on a shoe string budget. We had enough money for our first month's rent and utilities when we opened in October of 1993, so we had to get in the black and fast! Jerod shipped us $10,000 worth of his very hip wood products on a handshake and said, 'Pay me when you can!' I mean, who does that?! All I can say is, I have the utmost respect for Jerod. He has a kind heart and, if you are lucky enough to have a person like this in your life that you can trust and who truly cares, you are very, very fortunate. He is a fantastic designer, awesome retailer and just an amazing person.

"We both love business, and enjoy the process of creativity in business. We have had countless conversations about the furniture industry and the changes we have seen and been a part of through the years."

The conception of Mortise & Tenon "was almost accidental. Jerod and Maite were between shoots for the movie business one summer. They decided to build a Santa Fe lodgepole entertainment centre, borrowing all of Jerod's dad's good tools, of course! One thing led to another and they started selling at the local swap meets. They built all their product themselves from a tiny little shop. Then they began wholesaling to big stores in L.A., and finally opened their own small retail store. They expanded that location to 16,000 square feet three years later and had stores in Hermosa Beach, California and Las Vegas for 10 years. Now they are happily settling back to one store and the factory, and zeroing in on YourFurnitureLink.com." (The co-op "social technology".)

"Mig and Tig shared many of the same clients in Chicago. Like Mortise & Tenon, after wholesaling to other furniture stores in the U.S. and to interior decorators, we opened our store in 1993, then another location on Chicago's North Shore for 10



From the early years, top left, Jerod, Maite, Kirk, Vicki, Dino Corella, owner of Dino Mark Anthony California, and at lower left in the red vest, Casey Fisher, Haute House Furnishings.

years. We've expanded our downtown location, and closed the suburban store. We now have one store, and we're also very focused on YourFurnitureLink.com."

The demographics are very similar in each store. "Although at Mortise & Tenon the clientele is highly skewed toward the entertainment industry,' Vicki told us. "At least fifty percent of their clients are actors, producers, musicians, editors, et. al. Sometimes we have the same customers who are moving from or to L.A. and Chicago, and continue their furniture shopping at our stores. This is not by design, it just happens.

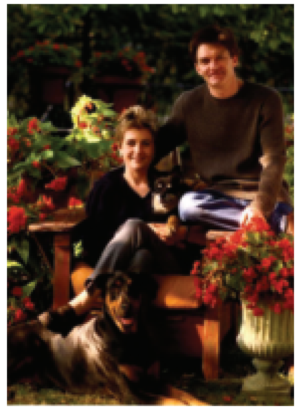
"Jerod's family has been and is currently in the film business. Much of the economy in Los Angeles relies on the film industry. He is smart to embrace it. Movies, T.V. commercials and shows have been renting or buying furniture and accessories from Mortise for over eighteen years. Set decorators come to them because they know the product is design forward, high end, and always very fresh, crucial to shows they rent to such as 'House', 'Dirty, Sexy Money', 'Eli Stone', and the new 'Beverley Hills 90210'.

"They also custom build for the film industry when necessary. Jerod and Maite know what it takes to accommodate the sometimes crazy, last minute scheduling of a production. Mess up once by not having the product ready, or worse, having sold it! and a set decorator will black ball your store. After all, the set decorators' necks are on the line, too. Mortise & Tenon has a stellar reputation and a long standing relationship with many of the city's art directors and set decorators."

It seems only logical that Jerod and Maite's community outreach also involves show business. Daniel Kucan, of HGTV's "Desperate Spaces" is lead designer for Mortise & Tenon, described on web as "Hollywood's to-the-trade furnishers". A couple of years ago Daniel "needed some extra rehearsal space for a Shakespeare play for which he was the Fight Coordinator. Jerod and Maite had just gutted a thousand feet of space to revamp their kids' department. They used this empty space (for the production) and that's when they met Stephan Wolpert who was the lead in the play. Stephan had been an officer in the army, serving thirteen years. He saw a production of Richard III and was bitten by the theatre bug. He decided this was his passion. He worked on Broadway and taught at Cornell, but his real passion was to create a non-profit theatre where returning veterans would have a comfortable place to express themselves through art, and help re-acclimate to the civilian







Part of the colourful Mig and Tig website, including coverage of their involvement with "Extreme Makeover Home Edition".

A quiet moment, Vicki, Kirk and Yuppie.

"At least 60% of M and T's businesses is repeat or referral. We strive very hard to get it right the first time, or fix it immediately."

world.

"Stephan wrote 'Veterans' Voices', a one act play taken from real vets various experiences both good and bad, and performed by both professional actors as well as vets. It was produced and performed upstairs at Mortise & Tenon, and was very well received. That was two years ago, and the V.C.P.A. (Veterans Center for the Performing Arts) is still going strong, helping civilians know what the soldiers face on their return home as well as the hardships the families endure during the soldier's term on duty, and as well as the difficulties adjusting to 'normal life' again." Outreach attuned to the needs of our contemporary community.

A bit of background, "Daniel Kucan and Maite grew up together at 'Children's Theatre' in Las Vegas. His connection with ABC's 'Extreme Home Makeover' occurred when a producer shopping at Mortise was impressed by him. He asked Daniel to be one of the designers on the show. Daniel is like family to Jerod and Maite. He is very passionate about design and theatre, and really fits the Mortise & Tenon family!"

Mig and Tig, in their turn, will be highlighted in an upcoming 'Extreme Makeover Home Edition' show. They were approached when the show was working with the Gries family of Peoria, Illinois. "They (the show producers) loved the fact they were able to see 'what is in our store' via the category button on the Mig and Tig website, and they worked with us virtually. They still came to Chicago to physically touch and see products, but we did a lot of communication and point of reference through our website.

"Jerod's business gets a lot more Hollywood than we do though. I have to admit, I am quite envious of his A List client base. But we at Mig and Tig have had the privilege of servicing celebs like Oprah, Julia Roberts, Rod Stewart, Phil Jackson and Dennis Rodman. All of them are really nice people and exceptionally gracious."

The foursome has also become active in educational outreach, recently funding a scholarship at Harrington School of Design, Chicago, Vicki's alma mater. "We gave the students a tough assignment, to design an audio visual cabinet and sofa with stringent requirements based on our understanding of what the industry needs to produce in actual products. We posted the progress of the students on both the M & T websites weekly. It was very successful, and the students did a great job!

"We're looking to continue the design scholarship through other schools with revenue from YourFurnitureLink.com, and get manufacturers involved by producing the winners' pieces. We strongly feel it is important to encourage students and manufacturers to embrace fresh design. There is some wonderful talent out there and hardworking factories; we look to introduce them to each other."

Audiovisual components are an area of long interest to the two M & Ts. Said Vicki, "Jerod and I started a website called MigandTigAV.com a few years back. It's a separate corporation but using the Mig and Tig name. Jerod is VP." (More productive overlap.) "We're focused on audio video cabinets and media room upholstery. Jerod was very involved in custom media installations, and doing quite a bit of work with his wood shop in that arena.

"We knew the digital TV change was going to take place in 2009, and wanted to develop an audio video wood cabinet line and have reps sell the line to electronics retailers. Unfortunately, there were obstacles, and it was difficult to get off the ground. But, who knows. We created an amazing website for this line, and a beautiful line of AV cabinet samples. The MigandTigAV.com journey allowed us to have an excellent understanding of systems and the Internet. We also have a good understanding of what the electronics industry faces as we have networked and met with some top tier electronics companies.

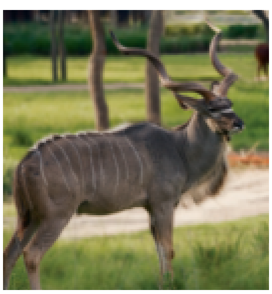
"Talk about a quick and changing market. There is no standing still in the electronics industry. Between the talents of Jerod, Kirk, Maite and our programmers, we have an amazing little team. And the www.MigandTigAV.com journey has made the path into the www.YourFurnitureLink.com site much simpler to execute with this previous understanding." (The curtain goes up on YourFurnitureLink.com in our next issue.)

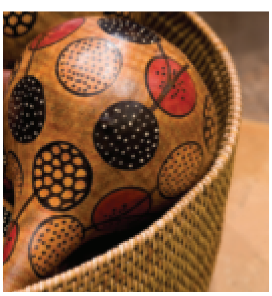
In the meantime, the nitty-gritty of retail-

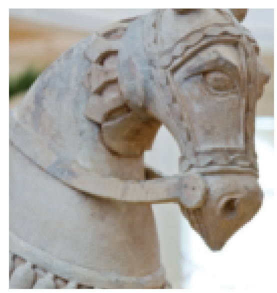


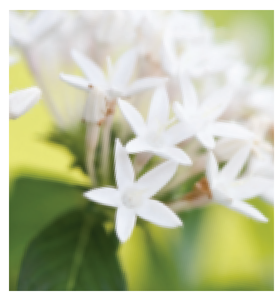
















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MIG and TIG

ing must always encompass customer service. Said Vicki, "We strive to find quality products with good value, so we have as few challenges (as possible) from the outset. And we deliver what we promise. If mistakes happen, and sometimes they do because we are all human, we do what we can to make the customer happy."

The proof of the pudding, "After so many years, at least 60 per cent of both M and T's businesses is repeat or referral. We strive very hard to get it right the first time, or fix it immediately. Therefore, our customers trust us."

Mig and Tig has had "an appreciation for green since we opened in 1993. Jerod and Maite have been building amazing recycled wood products for almost 20 years. It is nice to finally see more companies building green, using recycled material. So purchasing green is becoming more available for retailers. And the end users love it!"

They're eco-friendly. "We have always tried to be as green as possible. We simply try not to waste, and to recycle as much as we can, from packaging materials to scrap paper. Efficiency with shipping is also important and, when possible, we ship by rail. And always try very hard to buy local."

There's little to no emphasis on print ads. "We used to be heavily in print, but we've cut back due to expense and lack of return. We're focusing on our websites." And no radio, no television commercials. Print flyers are also a thing of the past. "Mig and Tig once produced 500,000 catalogues a year and circulated them in the Chicago local New York Times and Chicago Tribune. Again, we've stopped that programme due to expense versus the return we see with our site. And rather than in-store print handouts, we encourage customers to go to our website either in store or at their homes."

Vicki's interpretation of the M&T's USP (unique selling proposition!), "We are both boutique furniture retailers with personal thumbprints on our stores that try to think outside of the box.

"I think Jerod, Maite, Kirk and myself, have a very strong common thread. We come from backgrounds with a strong work ethic. At the same time, none of us have ever had the security of a safety net. So we knew if we fell down, it was up to us to pick ourselves up and brush off the dust.

"Don't get me wrong. I think it is important to make mistakes, because this is how you learn. You just don't want to make too many of them! My advice to other entrepreneurs is to aim carefully and go for your goal. Thinking positive and not giving up is core. There will always be bumps in the road . . . but those tend to happen for a reason."

Mig and Tig and Mortise & Tenon are in for the long haul. They aim to be "The Mousetrap" of retailing. They're building a better one. The bait's irresistible.

Next issue, the evolution and actuality of YourFurnitureLink.com. In the meantime, do check out *www.migandtig.com* and *www.mortisetenon.com*.

Design

Armen Living

Corallo Counter High Dining Table with 51" round corallo marble top and imperador marble trim. The base is mdf with veneer trim, finished in merlot stain. The swivel barstools are made of solid asian beachwood and come in beige chenille fabric, as shown, or brown leather. Contact information on index page 80.





Capel

Hand loomed in India from 100% pure New Zealand wool, Riverdale offers tone-on-tone sophistication finished in a lustrous patina. The collection is available in the colorways maize, jade, denim, redwood, latte, stone and raisin. Suggested retail for a 5' x 8' rectangular rug is $399. Contact information on index page 80.



Sier Moveis

Contemporary dining group with Omega Plus VD table base, Leblon chairs, and Omega buffet. This attractive set is made of reforested wood and Marupa wood veneer, with glass incorporated into the table base. Division of PampaExport. Contact information on index page 80.



Ashley

The Carmichael Leather group features the look of sleek flared arms along with the comfort of boxed seat cushions and a tufted back that is perfect for any relaxing living room environment. Contact information on index page 80.



Linea Vincenzo

Division of Bugatti Design. This modern sofa "Marriette" features headrests for maximum comfort. Available with feather seats and choice of fabric or leather.
Contact information on index page 80.



Pulaski

The Jolie casual dining collection brings charming provincial styling into todays home combining rich wooden tops with an intriguing ocean blue finish and handpainted details.
Contact information on index page 80.

Design



A.A. Laun

From the Gramercy Park Collection, this maple entertainment console is a corner unit with two doors and two internal adjustable shelves. The hutch, when paired with the console, forms an impressive wall unit. Comes in four primary maple stains, glaze and custom color options. "Made in the USA". Contact information on index page 80.



F&N

"Lansfield" is one of 100 different styles of chairs made of domestically grown hardwood. Available in cherry, maple, brown maple, oak and 1/4 sawn white oak with a choice of 30 colors. Contact information on index page 80.

Aspenhome

This living room group from the Destination Collection features signature slop arm, modified shelter-back with elegant cherry stained veneer, welt cord detail and a signature foot. Contact information on index page 80



Schwartz Woodworking

This solid hardwood entertainment unit is contemporary in design and comes in eight different wood species with over forty stain options. Also available in traditional style.

Contact information on index page 80



Vanguard

Slade Sideboard from the Bloomsbury Collection, an eclectic mix of furniture styles featuring worn and distressed wood finishes in medium to dark tones. Sideboard is available in all painted finishes.

Contact information on index page 80.



Newton

New Demi-Lune occasional tables handcrafted from premium solid wood, areoffered in 5 different wood choices and over 30 color options.

Contact information on index page 80.



Design





Dutailier

The Matrix Too combines unequalled construction quality with contemporary style at an affordable price. This chair glides, reclines, swivels and can be personalized with different arm rests, back cushion styles, finishes and fabrics.
Contact information on index page 80.

Feizy

One of two new additions to the "Anchala" collection of fine rugs. Constructed of hand-spun New Zealand wool and art silk, each piece requires fine hand knotting to mimic the intricate detailing of the traditional antique sari fabrics. Each design in this trend-setting collection adds elegance with exquisite palettes, a plush hand and lustrous highlights.
Contact information on index page 80.



BDI

Whether serving as a TV credenza or positioned below a wall mounted flat panel TV, Cassini's clean, horizontal design creates the perfect balance. Contrasting with the rich wood top and sides, the recessed grey tinted glass cabinet conceals components and keeps them remote control accessible. Features include adjustable shelves with flow through ventilation, soft close doors, hidden wheels and sliding back panels for easy access to components and connections. Contact information on index page 80.



American Leather

The new Aurora features leather wrapped base and push arm recline. This stadium seat provides a firm sit and optional cupholders for unmatched relaxation.

Contact information on index page 80.



Huppé

New audio unit made of birch, is shown in Brownie finish. This contemporary unit is available in 18 different finishes and many configurations.

Contact information on index page 80.

Gardner Contemporary

This division of Saloom/New England, produces contemporary furniture in solid hardwoods using fine joint making. The collection includes dining tables, chairs and buffet designs. *Contact information on index page 80*



Design



Harden

The upholstered bed is from the new "Artistry" collection of 26 pieces made of quarter sawn white ash from sustainably managed forests. Thirty plus customizable finishes and over one thousand fabric and leather choices available.

Contact information on index page 80.



Wallbeds

The new Mission Wallbed features crown molding with face framed case goods that step down and back from the unit. This furniture is constructed from 1/4 sawn oak solids with oak plywood. *Contact information on index page 80*



Broyhill

Graysen, a contemporary styled youth bedroom group, is characterized by its unique storage and multifunctional solutions with wire mesh baskets and divided cubby areas. In addition, several mobile items with casters are available, including a mobile night-stand and mobile shelf unit.

Contact information on index page 80.



Sligh

TV Console is 27″ high which allows the television to be at eye level from the perspective of a person sitting in a sofa or chair. Features include five-outlet surge suppressor with protective equipment guarantee, left and right tambour style doors, one lower/center deep storage drawer and floor levelers. *Contact information on index page 80*



Hooker

French style desk and chair are scaled for small spaces. Made of hardwood solids and veneers with high gloss black finish and gold accent on the molding. The desk features drop-front keyboard drawer and two utility drawers. Dimensions are 42″ X 26″ X 30.5″.
Contact information on index page 80.

Southedge

The Arcadia bedroom collection is available with either wrought iron (shown) or wood carving accents. Shown in hand crafted solid maple, this attractive group features dovetail drawers, with full extension drawer guides. Special introductory price in 10 wood species and custom finishes. *Contact information on index page 80.*



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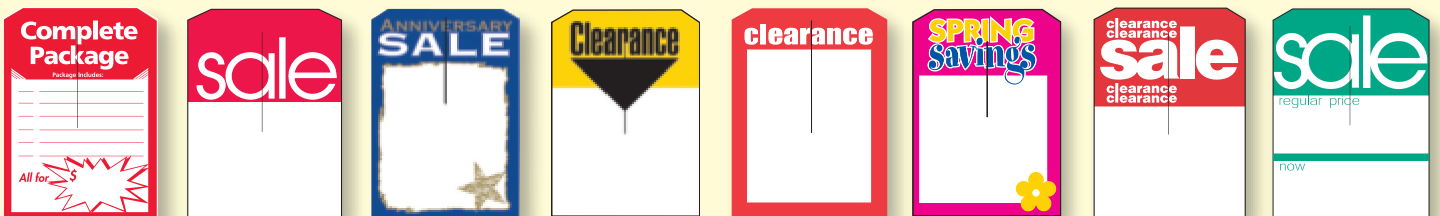
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